

SOL PLAATJE LOCAL MUNICIPALITY



CITY OF KIMBERLEY

SOL PLAATJE LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2017

SOL PLAATJE LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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**SOL PLAATJE LOCAL MUNICIPALITY
GENERAL INFORMATION
FOR THE YEAR ENDED 30 JUNE 2017**

EXECUTIVE MAYOR	Alderman OM Matika		
SPEAKER	Councillor E Johnson		
GRADING OF THE LOCAL AUTHORITY:	Grade 5	NC091	
AUDITORS:	Auditor-General of South Africa Block 1 Montrie Corporate Park 10 Oliver Road Monument Heights Kimberley 8301 Telephone 053-8311016 Fax 053-8326277		
			Private Bag X5013 Kimberley 8300
BANKERS:	Standard Bank Old Main Road Kimberley 8301 Telephone 053-8078215 Fax 053-8078173		
			P.O. Box 626 Kimberley 8300
REGISTERED OFFICE:	Civic Centre Sol Plaatje Drive Kimberley 8301 Telephone 053-8306911 Fax 053-8331005		
			Private Bag X5030 Kimberley 8300
MUNICIPAL MANAGER:	Mr G Akharwaray	B.Proc.LLB, Certificate in Management	
CHIEF FINANCIAL OFFICER:	Me ZL Mahloko	B.Comm Hons	
MEMBERS OF COUNCIL:	Councillor Ward 1 Francis BP 12 Mokgalagadi M 23 Vorster PJ 2 Visagie L 13 Wapad MR 24 Steyn SM 3 Lewis CB 14 Pieterse LHS 25 Fourie OC 4 Mpanza TH 15 Keetile WM 26 Makhamba BJ 5 Mohapi PM 16 Stout BJ 27 Hammer N 6 Setlholo DT 17 Peto GI 28 Griqua SH 7 Kwagile PP 18 Van Wyk PR 29 Springbok B 8 Ngoma TC 19 Tshite BP 30 Kock GP 9 Monyamane GK 20 Pearce C 31 Keme BJ 10 Gomba JT 21 Van Rooyen WA 32 Lekhatlanya MJ 11 Qonga YT 22 Maditse NM 33 Sebegu KM Councillor Proportional 1 Badenhorst EL 11 Kruger F 21 Moshweu MM 2 Beyllefild MJ 12 Liebenberg R 22 Mpampi S 3 Bishop PD 13 Louw M 23 Niemann E 4 Boshoff WJ 14 Ludick RA 24 Phiri KC 5 Boqo AN 15 Matshediso OM 25 Pholoholo IM 6 Buda HU 16 Meintjies M 26 Plaatjie OB 7 Chinkuli DS 17 Meleng LP 27 Shushu LN 8 Doyle MS 18 Miller HB 28 Steenkamp DL 9 Duba LF 19 Mokae OJ 29 Thabane MP 10 Kika SN 20 Morwe RT 30 Thulo FL		

SOL PLAATJE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2017

I am accountable for the preparation of these annual financial statements, which are set out on pages 3 to 78, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 30 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

GH Akharwaray
Municipal Manager
31 August 2017

SOL PLAATJE LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 June 2017

	Note	2017 R	2016 R	2017 Budget R
ASSETS				
Current Assets		1,333,579,585	1,162,808,493	1,048,396,808
Inventory	2	31,935,661	32,656,079	37,649,409
Trade Receivables from Exchange Transactions	4	439,774,394	328,603,194	278,151,102
Trade Receivables from Non-Exchange Transactions	5	627,001,707	531,900,557	457,652,791
Cash and Cash Equivalents	6	226,561,404	259,275,698	264,037,771
Operating Lease Assets	7	-	34,999	79,578
Vat Receivable from Exchange Transactions	8	8,306,419	10,337,965	10,826,157
Non-Current Assets		1,698,749,991	1,636,368,690	1,783,898,904
Property, Plant and Equipment	9	1,483,689,913	1,424,228,213	1,580,750,066
Heritage Assets	9	7,863,705	7,863,705	6,801,944
Intangible Assets	10	3,825,728	6,299,418	3,375,382
Investment Property	11	195,886,029	196,328,319	190,750,604
Trade Receivables from Exchange Transactions	4	6,133,346	1,491,884	1,785,064
Trade Receivables from Non-Exchange Transactions	5	1,351,270	157,151	435,844
Total Assets		3,032,329,576	2,799,177,183	2,832,295,711
LIABILITIES				
Current Liabilities		245,774,891	238,888,715	227,398,100
Consumer Deposits	13	26,182,008	24,966,967	26,196,245
Employee Benefits	14	9,507,325	8,695,501	9,007,425
Payables from Exchange Transactions	15	156,772,329	161,272,255	163,651,739
Unspent Conditional Grants and Receipts	16	12,349,709	11,012,029	-
Vat Payable from Exchange Transactions	17	32,725,353	24,740,958	20,296,652
Current Portion of Long-term Liabilities	18	8,238,168	8,201,006	8,246,040
Non-Current Liabilities		451,822,983	480,530,891	456,827,857
Long-term Liabilities	18	210,434,634	218,675,316	202,089,686
Employee Benefit Liabilities	19	214,640,397	234,231,277	202,275,574
Non-current Provisions	20	26,747,952	27,624,298	52,462,597
Total Liabilities		697,597,874	719,419,606	684,225,957
Total Assets and Liabilities		2,334,731,702	2,079,757,577	2,148,069,754
NET ASSETS		2,334,731,702	2,079,757,577	2,148,069,754
Accumulated Surplus	21	2,334,731,702	2,079,757,577	2,148,069,754
Total Net Assets		2,334,731,702	2,079,757,577	2,148,069,754

SOL PLAATJE LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 June 2017

Budget 2016 R	Budget 2017 R		Note	Actual 2017 R	Actual 2016 R
REVENUE					
Revenue from Non-exchange Transactions					
443,808,235	469,708,261	Property Rates	22	468,496,818	484,397,277
21,679,300	20,660,000	Fines and Penalties		19,915,146	17,406,849
2,965,000	3,270,000	Licences and Permits		2,801,133	2,850,726
290,850,992	266,907,029	Government Grants and Subsidies Received	26	253,447,128	275,943,005
-	-	Public Contributions and Donations	27	-	260,514
Revenue from Exchange Transactions					
1,012,665,821	1,062,887,246	Service Charges	24	963,044,889	909,207,080
10,305,500	10,690,000	Rental of Facilities and Equipment	25	10,024,738	9,839,067
5,800,000	4,800,000	Income for Agency Services		6,975,018	6,486,266
19,000,000	20,000,000	Interest Earned - External Investments	23	21,576,378	20,995,888
80,000,000	120,000,000	Interest Earned - Outstanding Debtors	23	130,078,100	101,386,838
27,758,913	24,759,335	Other Income	28	25,958,133	23,986,595
-	-	Gains on Disposal of Property, Plant and Equipment		2,658,646	1,785,600
1,914,833,761	2,003,681,871	Total Revenue		1,904,976,127	1,854,545,704
EXPENDITURE					
601,580,484	644,340,070	Employee Related Costs	29	566,597,417	602,966,171
21,365,290	25,944,063	Remuneration of Councillors	30	25,011,009	20,948,087
53,600,000	60,617,000	Depreciation and Amortisation	31	58,707,853	57,792,050
161,000,000	190,500,000	Impairment Losses	32	190,194,771	159,613,107
29,689,565	27,790,073	Finance Costs	33	27,789,438	29,018,431
462,400,000	512,500,000	Bulk Purchases	34	491,966,152	454,009,890
34,194,701	44,362,888	Contracted Services	35	42,170,495	31,332,201
61,871,500	62,590,000	Grants and Subsidies Paid	36	7,984,007	6,625,231
327,959,057	351,881,513	General Expenses	37	236,018,880	255,855,370
155,000	155,000	Loss on Inventory		69,293	102,234
-	-	Foreign Exchange Loss		183,750	409,474
-	-	Impairment of Property, Plant and Equipment		3,308,937	-
1,753,815,597	1,920,680,607	Total Expenditure		1,650,002,002	1,618,672,245
161,018,164	83,001,264	SURPLUS FOR THE YEAR		254,974,125	235,873,458
Refer to Appendix E(1) for explanation of budget variances					

SOL PLAATJE LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 June 2017

Description	Note	Accumulated Surplus Account				Total for Accumulated Surplus Account	Total
		Capital Replacement Reserve(CRR)	Self Insurance Reserve	COID Reserve	Accumulated Surplus		
2016		R	R		R	R	R
Balance at 30 June 2015	39	73,310,638	23,206,160	10,195,590	1,782,239,582	1,888,951,970	1,888,951,970
Correction of Error					(45,067,852)	(45,067,852)	(45,067,852)
Restated Balance		73,310,638	23,206,160	10,195,590	1,737,171,730	1,843,884,119	1,843,884,119
Surplus for the year					235,873,458	235,873,458	235,873,458
Transfer to Capital Replacement Reserve		68,000,000			(68,000,000)	-	-
Property, Plant and Equipment purchased		(71,251,874)			71,251,874	-	-
Contribution to Insurance Reserve			342,130	414,845	(756,975)	-	-
Balance at 30 June 2016		70,058,765	23,548,290	10,610,435	1,975,540,087	2,079,757,577	2,079,757,577
2017							
Restated Balance		70,058,765	23,548,290	10,610,435	1,975,540,087	2,079,757,577	2,079,757,577
Surplus for the year					254,974,125	254,974,125	254,974,125
Transfer to Capital Replacement Reserve		60,000,000			(60,000,000)	-	-
Property, Plant and Equipment purchased		(37,927,281)			37,927,281	-	-
Contribution to Insurance Reserve			544,595	110,275	(654,870)	-	-
Balance at 30 June 2017		92,131,484	24,092,886	10,720,710	2,207,786,622	2,334,731,702	2,334,731,702

Details on the movement of the Funds and Reserves are set out in Note 21.

SOL PLAATJE LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 June 2017

	Note	Actual 2017 R	Actual 2016 R	Budget 2017 R
CASH FLOWS FROM OPERATING ACTIVITIES				
Grants received	26	253,447,128	275,943,005	266,907,029
Sale of goods and services	41	1,097,822,423	1,092,507,997	1,367,238,971
Employee Costs	29	566,597,417	602,966,171	644,340,070
Supplier payments	41	813,241,442	712,555,778	919,175,930
Cash generated from Operations	41	(28,569,307)	52,929,052	70,630,000
Interest received	23	151,654,478	122,382,726	120,000,000
Interest paid	33	(27,789,438)	(29,018,431)	(27,757,000)
NET CASH FLOWS FROM OPERATING ACTIVITIES		95,295,733	146,293,348	162,873,000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Property, Plant and Equipment	9	(117,325,105)	(145,546,918)	(149,865,000)
Purchase of Intangible Assets	10	(2,366,004)	(3,766,933)	-
Purchase of Investment Property	11	(115,400)	(2,336,988)	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(119,806,508)	(151,650,839)	(149,865,000)
CASH FLOWS FROM FINANCING ACTIVITIES				
Loans repaid		(8,203,519)	(10,824,084)	(8,246,000)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(8,203,519)	(10,824,084)	(8,246,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS	6	(32,714,295)	(16,181,575)	4,762,000
Cash and Cash Equivalents at the beginning of the year		259,275,698	275,457,274	259,275,000
Cash and Cash Equivalents at the end of the year		226,561,404	259,275,698	264,037,000

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

1. BASIS OF PRESENTATION

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act 2003 (Act Number 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

1. 1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

The Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2016 and 30 June 2017 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the following instances:

- (a) is required by a Standard of GRAP; or
- (b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cash flow.

1. 2 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in the Annual Financial Statements:

1. 2. 1 Revenue Recognition

Accounting Policy 10.1 on *Revenue from Exchange Transactions* and Accounting Policy 10.2 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

1. BASIS OF PRESENTATION (continued)

1. 2 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY(continued)

1. 2. 1 Revenue Recognition (continued)

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue, as far as Revenue from Non-Exchange Transactions is concerned. In particular, whether the municipality, (i) when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and (ii) when services are rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year and prior year is appropriate.

1. 2. 2 Water Inventory

The estimation of water inventory in the reservoirs are based on the measurement of water via the electronic level sensors where the level indicates the depth of water in the reservoir which is then converted into volumes based on the total capacity of the relevant reservoir. Furthermore, the length and width of all pipes are also taken into account during determining the volume of water on hand at year end. Refer to Note 4 in the annual financial statements.

1. 2. 3 Budget information

Deviations between the budget and actual amounts are regarded as material if they exceed a 10% deviation. All material differences are explained in the notes/appendices to the annual financial statements. Budget and actual figures are presented on the the accrual basis of accounting.

1. 2. 4 Impairment of property, plant and equipment, intangible assets, investment property, heritage assets and inventories

The accounting Policy on "PPE - Impairment of assets and accounting policy" on "Intangible assets - subsequent measurement, amortisation and impairment "and accounting policy on "Inventory - Subsequent measurement" describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of cost and net realisable values (NRV).

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 26: "Impairment of cash generating assets" and GRAP 21: "Impairment of Non - Cash generating Assets". In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involve significant judgment by management.

1. 2. 5 Impairment of financial assets and financial liabilities

The accounting policy on Impairment of financial assets and financial liabilities describes the process followed to determine the value by which financial assets and financial liabilities should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP104: 'Financial Instruments' and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets and financial liabilities recorded during the current and prior year is appropriate.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

1. BASIS OF PRESENTATION (continued)

1. 2. 6 Impairment of trade receivables

The calculation in respect of the impairment of trade receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1. 2. 7 Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities as set out in the notes. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1. 2. 8 Useful lives of property, plant and equipment

As described in the accounting policy; 'Property, Plant and Equipment', the municipality depreciates its property, plant and equipment, investment property and amortise intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives and in what condition they will be at that time.

1. 2. 9 Defined benefit plan liabilities

As described in the accounting policy the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long service Awards and Ex-gratia awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 20 to the Annual Financial Statements.

1. 2. 10 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. The accounting policy on Financial Assets Classification and accounting policy on Financial Liabilities Classification describe the factors and criteria considered by management of the municipality in the classification of financial assets and liabilities. In making the above-mentioned judgements, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104 "Financial Instruments".

1. 3 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

1. 4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on a going concern basis.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

1. BASIS OF PRESENTATION (continued)

1. 5 OFFSETTING

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1. 6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

- GRAP 32 Service Concession arrangements: Grantor
- GRAP 34 Separate Financial Statements
- GRAP 35 Consolidated Financial Statements
- GRAP 36 Investments in Associates and Joint Ventures
- GRAP 37 Joint arrangements
- GRAP 38 Disclosure of Interests in Other Entities
- GRAP 108 Statutory receivables
- GRAP 109 Accounting by Principals and Agents
- GRAP 110 Living and non-living Resources

Application of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

The following GRAP standards became effective during the financial year ended 30 June 2017:
Amendments to GRAP 16 and GRAP 17 - Effective 1 April 2016

Improvements were also made to a number of GRAP standards during the period under review.

The impact of above standards becoming effective has been considered by management. The impact (if any) of these new effective standards has been disclosed in Note 39 of the Annual Financial Statements.

The ASB Directive 5 paragraph 29 allows for the Municipality to select to apply the principles established in a Standard of GRAP that has been issued, but is not yet in effect, in developing an appropriate accounting policy dealing with a particular transaction or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

2. STATUTORY FUNDS AND RESERVES

Included in the accumulated surplus of the municipality, are the following reserves that are maintained in terms of specific requirements:

2. 1 Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR in terms of delegated powers.

The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the investment policy of the municipality.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment, and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR, and the accumulated surplus is credited by a corresponding amount.
- If a profit is made on the sale of assets, the profit on these assets is reflected in the Statement of Financial Performance and is not transferred to the CRR, as it is regarded as revenue.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

2. STATUTORY FUNDS AND RESERVES (Continued)

2. 2 Self insurance reserve

A general insurance reserve has been established, and subject to reinsurance where deemed necessary, it covers claims that may occur. Premiums are charged to the respective services and credited to the operating account as per budgeted amounts. Reinsurance premiums paid to external reinsurers and other expenditure are regarded as an expense, and are debited against the operating accounts shown in the Statement of Financial Performance. The net surplus or deficit on the insurance operating accounts is transferred to or from the insurance reserve via the Statement of Changes in Net Assets. The balance of the self-insurance reserve is invested in short-term cash investments. Interest earned on the insurance reserve is recorded as interest earned in the Statement of Financial Performance.

2. 3 Compensation for occupational injuries and diseases (COID) reserve

The Municipality has been exempted from making contributions to the Compensation Commissioner for occupational injuries and diseases in terms of Section 84 of the COID Act (Act No. 130 of 1993). The certificate of exemption issued by the Commissioner, and as prescribed by the COID Act, requires that the Municipality deposits cash and/or securities with the Commissioner. Premiums are charged to the respective services and credited to the operating account as per budgeted amounts. The net surplus or deficit on the COID operating account is transferred to or from the COID reserve via the Statement of Changes in Net Assets.

3. PROPERTY, PLANT AND EQUIPMENT

3. 1 Initial Recognition

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality;
- and
- if the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost on its acquisition date.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) surrendered.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3. 2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces part of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequently, all property plant and equipment are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses. Compensation from third parties for items of property, plant and equipment that were impaired, lost or surrendered is included in the surplus or deficit when the compensation becomes receivable.

3. 3 Depreciation

Land is not depreciated as it is regarded as having an indefinite useful life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality.

The useful lives of items of property, plant and equipment have been assessed as follows:

<i>Item</i>	<i>Years</i>
Buildings	30
Furniture and fixtures	5 - 15
Motor vehicles	5 - 15
Computer equipment	5 - 10
Infrastructure	
- Roads and paving	1 - 80
- Electricity	1 - 80
- Water	1 - 100
- Sewerage	1 - 60
- Landfill sites	25 - 55
- Storm water	1 - 60
- Streetlights	1 - 40
Community Buildings	
- Recreational facilities	30
- Security	3 - 15
Machinery and equipment	5 - 15
Water network	15
Land	Indefinite

The residual value, useful life and depreciation method of each asset are reviewed, if there is an indication that a change may have occurred in the estimated useful life or residual value of the asset. If the expectations differ from previous estimates, the change is accounted for in accordance with GRAP 3, either prospectively as a change in the accounting policy, or retrospectively as a prior period error depending on the specific circumstances.

Depreciation only commences when the asset is available for use, unless stated otherwise.

Reviewing the useful life of an asset does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation charge for each period is recognised in the surplus or deficit unless it is included in the carrying amount of another asset.

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PROPERTY, PLANT AND EQUIPMENT (continued)

3. 4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use. Significantly delayed projects and projects that have ceased entirely are disclosed separately in the notes to the financial statements. Management will review the facts and circumstances around each individual project before classifying it as significantly delayed.

3. 5 Leased Assets

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3. 6 Heritage Assets

Heritage assets, which are culturally significant resources of nature (examples are statues, graves, memorial assets, libraries, canons, etc.) and according to GRAP 103 should be shown at cost and are not depreciated owing to uncertainty regarding their estimated useful lives. Where no active market exists for heritage assets the value cannot be determine, and the assets are carried at zero value.

3. 7 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

3. 8 Derecognition of property, plant and equipment

An item of Property, Plant and Equipment of the municipality is derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end or the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the municipality.

Gains from the sale of assets are classified as revenue. Gains or losses from the sale of assets are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds. This is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

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4 INTANGIBLE ASSETS

4 1 Initial Recognition

The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the assets surrendered.

4 2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses.

In terms of GRAP 31 expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at the later date. Intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period, however such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed when there is an indication that such an assessment is required. The indicators as listed in the standard are used to determine if a review is required. Any adjustments arising from the review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

Amortisation only commences when the asset is available for use, unless stated otherwise.

4 3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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5 INVESTMENT PROPERTY

5 1 Initial Recognition

Investment property includes property e.g. (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. e.g. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases. This will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality; and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as property, plant and equipment or Inventory, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc.; and
- Property held for strategic purposes or service delivery.

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5 INVESTMENT PROPERTY (continued)

5 2 Subsequent Measurement - Cost Model

Investment Property is measured using the Cost Model and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the Straight-Line Method over the useful life of the property, which is estimated at 20 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The gain or loss arising on the disposal of an Investments proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5 3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

5 4 Depreciation and impairment

Investment properties are annually tested for impairment, including investment properties not yet available for use. Where items of investment property have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and depreciation method are reviewed when there is an indication that such an assessment is required. The indicators as listed in the standard are used to determine if a review is required. Any adjustments arising from the review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

Depreciation is charged on a straight-line basis over the assets' useful lives. The residual value of assets with finite useful lives is zero, unless an active market exists. Where investment properties are deemed to have an indefinite useful life, such assets are not depreciated (e.g. land).

6. FINANCIAL INSTRUMENTS

6. 1 Financial Assets - Classification

A financial asset is any asset that is cash or contractual right to receive cash.

In accordance with GRAP 104 the financial assets of the municipality are classified as follows into the categories allowed by this standard.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that are quoted in an active market. They are included in current assets except for maturity greater than 12 months which are classified as non current assets. Financial assets at amortised cost are initially recognised at fair value plus transaction cost are directly attributable to the acquisition or issue of the financial asset. After initial recognition financial assets are measured at amortised cost using the effective interest rate method less the provision for impairment.

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6. FINANCIAL INSTRUMENTS (continued)

Financial assets at cost are investments in residual interests that do not have a quoted market price in an active

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

The municipality has the following types of financial assets of the face of the State of Financial Position:

Class	Category
Non - current Investments	Financial asset measured at amortised cost
Long-term receivables	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Bank, cash and cash equivalents	Financial asset measured at amortised cost
Current Portion of Non-current Investments	Financial asset measured at amortised cost
Current Portion of Long-term receivables	Financial asset measured at amortised cost

Cash includes cash on hand (including petty cash) and cash at bank (including call deposits). Cash equivalents are

6. 2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

There are three main categories of financial liabilities. The classification determines how they are measured

Class	Category
Long-term Liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Payables from non- exchange transactions	Financial liability measured at amortised cost
Bank Overdraft	Financial liability measured at amortised cost
Short-term Loans	Financial liability measured at amortised cost
Current portion of long-term liabilities	Financial liability measured at amortised cost

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6. FINANCIAL INSTRUMENTS (continued)

6. 3 Risk management of financial assets and liabilities

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

The Municipality has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

Risks and exposure are disclosed as follows:

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The maximum exposure to cash flow and fair value risk, price risk and foreign currency risk is disclosed.

A sensitivity analysis for each of the market risks is done.

Credit risk

Credit risk is the risk of financial loss to the Municipality if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the municipality receivables from customers and investment securities.

Each class of financial instrument is disclosed separately.

Maximum exposure to credit risk not covered by collateral is specified.

Financial instruments covered by collateral are specified.

Liquidity risk

Liquidity risk is the risk that the Municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities. A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note 48 to the annual financial statements.

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FINANCIAL INSTRUMENTS (continued)

6. 3 Risk management of financial assets and liabilities(continued)

A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities. A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note 48 to the annual financial statements.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

7. LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

7. 1 Finance leases - Municipality as lessee

- Effective interest rate method
- Derecognition
- Finance cost expensed when incurred

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

7. 2 Operating leases - Municipality as lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis. The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

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7. 3 Operating leases - Municipality as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

8. INVENTORY

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs is deemed to be equal to its fair value at the date of acquisition. Where inventory is manufactured, constructed or produced, the cost includes, the cost of labour, materials and overheads used during the manufacturing.

8. 1 Subsequent measurement

Included in inventory are consumable stores, raw materials, Work in progress, water inventory, unsold properties and other arrangements. Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventory comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects are assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in-first-out cost formula.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

9. NON-CURRENT ASSETS HELD-FOR-SALE

The disclosure requirements per the Standard of GRAP on Presentation of Financial Statements require entities to disclose information about significant assets and groups of assets and liabilities, or components (as defined in GRAP 100), that will be disposed of in future reporting periods. These disclosures are provided once management has made a decision to dispose of certain assets, groups of assets and liabilities or components, instead of specific presentation on the face of the statement of financial position.

Specific measurement requirements for assets held for sale over and above those already required in existing Standards, are therefore not necessary.

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10 REVENUE RECOGNITION

Revenue in general is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

10 1. Revenue from Exchange Transactions

10 1. 1. Service Charges

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs. Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month. Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

10.1 2 Prepaid electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale and payment is made in the month before year end, it's recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

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10. REVENUE RECOGNITION (continued)

10.1.3 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time-proportionate basis that takes into account the effective yield on the investment. Consumer Debtors are billed monthly, latest end of month. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at a rate determined by council on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Consumer Debtors

10.1.4 Tariff charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

10.1.5 Income from Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

10.1.6 Sale of goods (including houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

10.1.7 Rentals

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

10.2. Revenue from non -exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

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10. REVENUE RECOGNITION (continued)

10.2.1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

10.2.2 Fines

Fines are defined as revenue from non-exchange transactions. It is revenue that arises from another entity without directly giving approximately equal value in exchange or gives value to another entity without directly receiving approximately equal value in exchange. Fines will be accounted on a accrual basis based on IGRAP 1.

Fines constitute both spot fines and summonses for which revenue is recognised in accordance with the requirements of IGRAP1.

Fines are economic benefits or service potential received or receivable by entities as determined by a court or other law enforcement body as a consequence of breach of laws and regulations. Where a defendant reaches an agreement with a prosecutor that includes a payment of a penalty, instead of being tried in court, that penalty is recognised as a fine.

Initial recognition

Revenue from fines shall be recognised when an inflow of resources from non-exchange transaction is probable. The probability of inflow shall be determined when an allegation that an offence has been committed and that the offender must appear in court or before other law enforcement body. Normally, fines require an entity/offender to transfer a fixed amount of cash to the municipality and do not impose the obligation to the municipality to recognise a liability, as such fines shall be recognised as revenue when receivables meets the definition of an asset and satisfies the criteria for recognition as an asset.

Measurement

At initial and subsequent recognition, fines shall be measured based on fair value of the asset.

Impairment

Fines shall be assessed for indicators of impairment at the end of each reporting period. Fines not collected or fines where no warrant of arrests or summonses have been issued shall be impaired at measurement date.

10.2.3 Other donations and contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are available for use.

10.2.4 Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures and is recognised when the recovery thereof from the responsible councillor or officials is virtually certain. Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

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10.2.5 Conditional grants and receipts

Equitable share allocations are recognised revenue at the start of the financial year if no time-based restrictions exist.

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Government grants and conditional receipts are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.
- best estimate of expenditure

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

11. PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

11. PROVISIONS AND CONTINGENCIES (continued)

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

11.1. Environmental rehabilitation provision

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

12. EMPLOYEE BENEFITS

Employee benefits are all forms of consideration given by an municipality in exchange for service rendered by employees.

12.1 Short-term employee benefits

The cost of all short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care) is recognised during the period in which the employee renders the related service and are not discounted. The Municipality recognises the expected cost of performance bonuses only when the Municipality has a present legal or constructive obligation to make such payment, and a reliable estimate can be made. The Municipality provides long-term incentives to eligible employees, payable on completion of years of employment. The Municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the obligation. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance. The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

12. EMPLOYEE BENEFITS (continued)

12.2 Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which a municipality provides post-employment benefits for one or more employees.

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

The Municipality provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the medical aid funds with which the Municipality is associated, a member on retirement, is entitled to remain a continued member of such medical aid fund and the Municipality will continue to subsidise medical contributions in accordance with the provisions of the employee's employment contract and the Municipality decision on protected rights. Post-retirement medical contributions paid by the Municipality and depending on the employee's contract could either be 70%, 60% or a subsidy indicated on a sliding-scale basis. The employee is responsible for the balance of post-retirement medical contribution in each case. External appointments do not qualify for a post-retirement medical aid subsidy. These contributions are charged to the operating account when employees have rendered the service entitling them to the contribution. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation, together with adjustments for the unrecognised actuarial gains and losses, and past service costs. The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. For defined benefit plans the cost of providing the benefits is determined using the projected credit method. Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date. Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on the straight line basis over the average period until the amended benefits become vested. Gains or losses on the curtailment or settlement of a defined benefit plan are recognised when the entity is demonstrably committed to curtailment or settlement. When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs. Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

13. BORROWING COST

Borrowing costs are recognised as an expense in the period in which they are incurred.

14. IMPAIRMENT

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follows:

- The municipality has looked at the definition of cash generating assets which determine that an asset can be identified as cash generating asset if there is a commercial return.
- The municipality do not operate in a profit-oriented manner and the main focus is to provide a service therefor all the assets will be classified as non-cash-generating assets.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

14. IMPAIRMENT(continued)

14.1 Impairment of Cash generated Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm length transaction, adjusted for the incremental cost that would be directly attributed to the disposal of the assets.

A value in use of a cash generating asset is the presentation of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.
- The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

14.2 Impairment of Non-Cash generated assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss. An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit in the statement of financial performance.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

15. HERITAGE ASSETS

An heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

15. 1. Initial Recognition

The cost of an item of heritage assets is recognised as an asset if, and only if it is probable that future economic benefit or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant of donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage asset purchases price and other costs attributable to bring the asset to the location and condition necessary for it to be call operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also included the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an heritage asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), transaction is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of heritage assets acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its measured at the carrying amount of the asset given up.

15. 2. Subsequent measurement

Subsequent expenditure relating to heritage assets capitalised if it is probable that future economic benefits of potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost of fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalise it increase the capacity or future economic benefits associated with the asset. Where the municipality replaces part of an heritage asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all the heritage assets are measured at cost less accumulated impairment losses. Heritage assets are not depreciated, owing to uncertainty regarding to their estimated useful lives.

16. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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17. VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the payment basis in accordance with section 15(2)(a) of the Value Added Tax Act (Act No 89 of 1991)

18. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

19. IRREGULAR EXPENDITURE

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including
(a) MFMA number 56 of 2003
(b) Public Office Bearers Act (Act No. 20 of 1998)

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the disclosure note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, must be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

20. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure are expenditure described as per the Municipal Finance Management Act.

21. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The cost of internal support are transferred to the various services and departments to who resources are made available.

22. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to notes for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to the notes to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

23. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

24. TRANSLATION TO FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

25. COMPARATIVE FIGURES

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

26. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

27. COMMITMENTS

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes. Only capital commitments are disclosed.

Commitments are disclosed for:

- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2017

2017
R

2016
R

1. GENERAL INFORMATION

Sol Plaatje Local Municipality (the municipality) is a local government institution in Kimberley, Northern Cape. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements. The principal activities of the municipality are prescribed by The Constitution.

2. INVENTORY

Inventory Stores - at cost	23,328,719	23,721,734
Inventory Land	6,637,717	6,637,302
Water - at cost	1,969,225	2,297,043
Total Inventory	31,935,661	32,656,079

The net realisable value of the above water inventory is seen as higher than the cost as stipulated above.

The cost of Inventories recognised as an expense (included in general expenses) in respect of write downs of Inventory to Net Realisable Value and which was approved by Council amounted to:

69,293 102,234

The cost of Inventories recognised as an expense during the period was:

41,586,315 51,445,219

3. ASSETS HELD-FOR-SALE

Included in the property, plant and equipment figure on the balance sheet, are the following amounts relating to non current assets that is intended for sale within the next 12 months:

Other Assets Held-for-Sale	-	141,858
Net Assets classified as Held-for-Sale	-	141,858

The municipality intends to dispose some of its Property, Plant and Equipment through public auction within the next twelve months.

4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances	Provision for Impairment	Net Balances
As at 30 June 2017			
Service Debtors:	1,340,807,999	907,012,104	433,795,895
Electricity	173,190,982	117,157,950	56,033,032
Refuse	79,551,392	53,813,876	25,737,516
Sewerage	100,695,127	68,116,911	32,578,216
Water	371,506,224	251,311,628	120,194,595
Miscellaneous	615,864,275	416,611,739	199,252,536
Market	940,424	636,166	304,258
Housing Debtors	36,495,750	24,688,164	11,807,587
Total Consumer Debtors	1,378,244,174	932,336,434	445,907,740
Non current portion	(6,133,346)		(6,133,346)
Total Consumer Debtors	1,372,110,828	932,336,434	439,774,394

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2017

4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

	Gross Balances	Provision for Impairment	Net Balances
As at 30 June 2016			
Service Debtors:	1,078,053,287	757,824,059	320,229,228
Electricity	146,226,816	102,424,925	43,801,891
Refuse	66,537,548	46,606,386	19,931,162
Sewerage	83,151,479	58,243,653	24,907,825
Water	299,942,067	210,095,143	89,846,924
Miscellaneous	482,195,378	340,453,952	141,741,426
Market	1,016,680	712,136	304,544
Housing Debtors	31,919,155	22,357,849	9,561,306
Total Consumer Debtors	1,110,989,123	780,894,044	330,095,078
Non current portion	(1,491,884)		(1,491,884)
Total Consumer Debtors	1,109,497,239	780,894,044	328,603,194

Consumer Debtors are billed monthly, latest end of month. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at a rate determined by council on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Consumer Debtors. Miscellaneous consist mainly out of interest charged on outstanding debtors and VAT on all services.

The municipality receives applications that it processes. Deposits are required to be paid for all water accounts opened. There are no consumers who represent more than 5% of the total balance of Consumer Debtors. The Municipality does not require collateral in respect of trade and other receivables, except for consumer deposits made by consumers with the connection of water and electricity services.

	2017 R	2016 R
4.1 Ageing of Consumer Debtors		
<i>Electricity: Ageing</i>		
<u>Current:</u>		
0 - 30 days	49,530,799	44,482,933
<u>Past Due:</u>		
31 - 60 Days	7,931,799	10,772,722
61 - 90 Days	14,649,786	6,729,244
+ 90 Days	101,078,599	84,241,917
Total	173,190,982	146,226,816
<i>Refuse: Ageing</i>		
<u>Current:</u>		
0 - 30 days	3,366,035	3,076,271
<u>Past Due:</u>		
31 - 60 Days	2,106,457	1,944,857
61 - 90 Days	1,906,376	1,753,113
+ 90 Days	72,172,524	59,763,308
Total	79,551,392	66,537,548
<i>Sewerage: Ageing</i>		
<u>Current:</u>		
0 - 30 days	4,433,100	3,870,807
<u>Past Due:</u>		
31 - 60 Days	2,866,802	2,601,184
61 - 90 Days	2,571,992	2,341,250
+ 90 Days	90,823,234	74,338,238
Total	100,695,127	83,151,479

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2017

	2017 R	2016 R
4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)		
<i>Water: Ageing</i>		
<i>Current:</i>		
0 - 30 days	28,532,984	23,658,950
<i>Past Due:</i>		
31 - 60 Days	13,483,129	10,323,460
61 - 90 Days	12,230,112	9,452,509
+ 90 Days	317,260,000	256,507,149
Total	371,506,224	299,942,067
<i>Miscellaneous: Ageing</i>		
<i>Current:</i>		
0 - 30 days	20,899,012	19,508,162
<i>Past Due:</i>		
31 - 60 Days	16,579,867	16,499,835
61 - 90 Days	17,120,894	14,390,590
+ 90 Days	562,204,926	432,813,471
Total	616,804,699	483,212,058
<i>Housing Rentals: Ageing</i>		
<i>Current:</i>		
0 - 30 days	510,321	508,105
<i>Past Due:</i>		
31 - 60 Days	463,284	466,946
61 - 90 Days	458,790	462,173
+ 90 Days	35,063,356	30,481,931
Total	36,495,750	31,919,155

4.2 Summary of Consumer Debtors by Customer Classification (Exchange and Non-Exchange Transactions)

	Household R	Industrial/ Commercial R	National and Provincial Government R	Total R
As at 30 June 2017				
<i>Current:</i>				
0 - 30 days	68,764,088	39,656,134	16,742,197	125,162,419
<i>Past Due:</i>				
31 - 60 Days	30,728,231	10,452,786	10,826,255	52,007,272
61 - 90 Days	28,337,682	18,634,600	9,855,071	56,827,353
+ 90 Days	953,008,846	211,104,787	538,295,189	1,702,408,822
Sub-total	1,080,838,847	279,848,307	575,718,712	1,936,405,866
Less: Provision for Impairment	528,843,524	136,926,948	281,693,347	947,463,819
Total Debtors by Customer Classification	551,995,324	142,921,359	294,025,365	988,942,048
As at 30 June 2016				
<i>Current:</i>				
0 - 30 days	72,176,901	33,520,069	11,375,774	117,072,744
<i>Past Due:</i>				
31 - 60 Days	29,842,001	10,603,408	31,772,008	72,217,417
61 - 90 Days	28,701,610	8,265,053	5,145,808	42,112,471
+ 90 Days	772,656,236	159,661,371	419,922,437	1,352,240,044
Sub-total	903,376,748	212,049,901	468,216,027	1,583,642,676
Less: Provision for Impairment	450,902,073	105,390,846	232,707,881	789,000,801
Total Debtors by Customer Classification	452,474,674	106,659,055	235,508,146	794,641,875

The amount for debtors past due more than the impairment loss provided for is seen as recoverable therefore no impairment loss has been provided for this excess amount. Management is of the opinion that the current debtors is fully recoverable.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2017

	2017 R	2016 R
4.3 Reconciliation of the Provision for Impairment		
Balance at beginning of year	789,000,801	648,584,757
Impairment Loss recognised	192,872,291	161,570,809
Impairment Losses reversed	-	-
Amounts written off as uncollectable	(34,409,273)	(21,154,765)
Amounts reversed	-	-
Balance at end of year	947,463,819	789,000,801

In determining the recoverability of debtors, the municipality has implemented a risk based approach. Individual accounts are assessed and based on the risk factors identified, the adjusted present value of future cash flows of each account is determined. The difference between the adjusted cash flows and the current value is recognised as an impairment loss.

4.4 Ageing of impaired Consumer Debtors

0 - 30 Days	4,609,663	3,838,699
31 - 60 Days	3,516,175	2,928,096
61 - 90 Days	3,073,157	2,559,173
+ 90 Days	936,264,823	779,674,834
Total	947,463,819	789,000,801

5. TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Assessment Rates	558,161,692	472,653,553
Government Subsidy Claims	58,595,814	47,423,409
Miscellaneous debtors	5,862,505	7,143,930
Traffic Fines	20,860,350	12,943,572
	643,480,362	540,164,464
Less: Provision for Impairment	(15,127,385)	(8,106,756)
Total Other Debtors	628,352,977	532,057,708
Non current portion	(1,351,270)	(157,151)
Total Other Debtors	627,001,707	531,900,557

The average credit period for Government Grants and Subsidies is dependent on the Government Department involved and the nature of the claim. No interest is charged on outstanding Government Grants and Subsidies. The subsidies is payable to the municipality due to allocations made in the DORA or based on agreements between the municipality and the relevant departments.

5.1 Ageing of Consumer Debtors

Rates: Ageing

Current:

0 - 30 days	21,646,562	21,967,517
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Past Due:

31 - 60 Days	8,551,913	29,608,414
61 - 90 Days	7,666,781	6,983,591
+ 90 Days	520,296,437	414,094,030
Total	558,161,692	472,653,553

6. CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents	201,931,958	224,932,658
Bank	24,629,446	34,343,040
Total Cash and Cash Equivalents	226,561,404	259,275,698

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand and Cash in Banks, net of outstanding Bank Overdrafts.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2017

	2017 R	2016 R
6. CASH AND CASH EQUIVALENTS (Continued)		
6.1 Current Investment Deposits		
Call Deposits	87,950,000	90,950,000
Notice Deposits	113,965,838	133,965,838
Total Current Investment Deposits	201,915,838	224,915,838

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 5.3% to 7.55% per annum.

Notice Deposits are investments with a maturity period of less than 12 months and earn interest rate varying from 7.475% to 8.2% per annum.

A fixed deposit of R2,992,635 (2016: R2,992,635) was made as a security to the Self-Insurance Workman Compensation reserve as required by the Department of Labour - Compensation Commissioner.

A fixed deposit of R20,973,203 (2016: R20,973,203) was invested and ceded to Development Bank of South Africa representing the equivalent of one instalment of a loan taken up during the current financial year.

6.2 Bank Accounts

Cash book balance

Cash book balance at beginning of year	34,343,040	17,559,969
Cash book balance at end of year	<u>24,629,446</u>	<u>34,343,040</u>

The following disclosures in terms of Municipal Finance Management Act (MFMA) section 125 2(a):

Current Account (Primary Bank Account)

The Municipality has the following main bank account:

Standard Bank Kimberley Old Main Road

Account Number 040065367

Primary Bank account 040065367

Bank statement balance at beginning of year / (overdrawn)	78,334,651	51,073,577
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Bank statement balance at end of year / (overdrawn)	37,727,821	78,334,651
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Sub account -Resort 040039072

Bank statement balance at beginning of year / (overdrawn)	-	-
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Bank statement balance at end of year / (overdrawn)	-	-
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Sub account -Traffic 040036340

Bank statement balance at beginning of year / (overdrawn)	-	-
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Bank statement balance at end of year / (overdrawn)	-	-
---	---	---

Sub account -Stores 040065405

Bank statement balance at beginning of year / (overdrawn)	-	-
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Bank statement balance at end of year / (overdrawn)	-	-
---	---	---

Sub account -Salary 040065391

Bank statement balance at beginning of year / (overdrawn)	-	-
---	---	---

Bank statement balance at end of year / (overdrawn)	-	-
---	---	---

Sub account -Market 040065383

Bank statement balance at beginning of year / (overdrawn)	-	-
---	---	---

Bank statement balance at end of year / (overdrawn)	-	-
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Interest on overdrawn current accounts are charged at the bank's prime rate per annum.

Interest is earned at different rates per annum on favourable balances.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2017

	2017 R	2016 R
6. CASH AND CASH EQUIVALENTS (Continued)		
6.3 Cash and Cash equivalents		
Cash Floats and Advances	16,120	16,820
Cash on hand in Cash Floats, Advances and Equivalents	<u>16,120</u>	<u>16,820</u>

The management of the municipality is of the opinion that the carrying value of Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair value.

7. OPERATING LEASE ASSETS / RECEIVABLES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Balance as at 30 June	34,999	72,186
Operating Lease expenses recorded	-	619,803
Operating Lease payments effected	<u>(34,999)</u>	<u>(656,990)</u>
Total Operating Lease Assets	<u>-</u>	<u>34,999</u>

7.1 Leasing Arrangements

The Municipality as Lessor:

Operating Leases relate to property owned by the municipality with lease terms of between 1 to 10 years. The lessees do not have an option to purchase the property at the expiration of the lease period. Operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew.

Rental Revenue earned from Investment Property	389,168	418,498
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7.2 Amounts receivable under Operating Leases

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	677,187	588,506
2 to 5 years	1,143,678	1,113,889
More than 5 years	<u>722,416</u>	<u>56,000</u>
Total Operating Lease Arrangements	<u>2,543,280</u>	<u>1,758,396</u>

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease for the year has been an increase:

-	37,186
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The following restrictions have been imposed by the municipality in terms of its lease agreements:

- (i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.
- (ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.
- (iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

8. VAT RECEIVABLE FROM EXCHANGE TRANSACTIONS

Vat Receivable from Exchange Transactions	<u>8,306,419</u>	<u>10,337,965</u>
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Vat is payable on the payment basis. Only once payment is received from debtors, VAT is paid over to SARS. No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2017

9. PROPERTY, PLANT AND EQUIPMENT AND HERITAGE ASSETS

30 June 2017

Reconciliation of Carrying Value

Description	Infra- structure	Community	Heritage	Other	Total
	R	R	R	R	R
Carrying values at 01 July 2016	1,073,718,409	287,633,546	7,863,705	62,876,258	1,432,091,918
Cost	1,511,779,588	344,511,966	7,863,705	143,808,401	2,007,963,660
- Completed Assets	1,227,927,292	338,156,557	6,017,355	143,808,401	1,715,909,605
- Under Construction	283,852,297	6,355,409	1,846,350	-	292,054,056
Accumulated Depreciation:	(438,061,180)	(56,878,420)	-	(80,932,143)	(575,871,743)
- Cost	(438,061,180)	(56,878,420)	-	(80,932,143)	(575,871,743)
Acquisitions	58,743,805	24,416,166	-	9,185,349	92,345,319
Capital under Construction - Additions	24,979,785	-	-	-	24,979,785
- Cost	24,979,785	-	-	-	24,979,785
Depreciation:	(32,160,492)	(7,505,831)	-	(13,984,550)	(53,650,872)
- Based on Cost	(32,160,492)	(7,505,831)	-	(13,984,550)	(53,650,872)
Adjustment of Carrying values:	(558,432)	-	-	(613,946)	(1,172,378)
- Cost	(558,432)	-	-	(613,946)	(1,172,378)
Adjustment of Depreciation	268,783	-	-	-	268,783
Capital under Construction - Completed	(218,898,154)	(5,219,567)	-	-	(224,117,721)
Other Movements	215,589,217	5,219,567	-	-	220,808,785
- Cost	218,898,154	5,219,567	-	-	224,117,721
- Accumulated Impairment Losses	(3,308,937)	-	-	-	(3,308,937)
Carrying values at 30 June 2017	1,121,682,922	304,543,881	7,863,705	57,463,110	1,491,553,618
Cost	1,594,944,746	368,928,132	7,863,705	152,379,804	2,124,116,387
- Completed Assets	1,505,010,818	367,792,290	6,017,355	152,379,804	2,031,200,267
- Under Construction	89,933,928	1,135,841	1,846,350	-	92,916,120
Accumulated Impairment Loss	(3,308,937)	-	-	-	(3,308,937)
Accumulated Depreciation:	(469,952,888)	(64,384,250)	-	(94,916,693)	(629,253,832)
- Cost	(469,952,888)	(64,384,250)	-	(94,916,693)	(629,253,832)

30 June 2016

Reconciliation of Carrying Value

Description	Infra- structure	Community	Heritage	Other	Total
	R	R	R	R	R
Carrying values at 01 July 2015	978,452,243	288,074,076	6,017,355	69,409,041	1,341,952,715
Cost	1,385,131,919	337,560,837	6,017,355	133,775,273	1,862,485,384
- Completed Assets	1,146,728,774	324,920,941	6,017,355	133,775,273	1,611,442,343
- Under Construction	238,403,145	12,639,897	-	-	251,043,041
Accumulated Depreciation:	(406,679,677)	(49,486,761)	-	(64,366,232)	(520,532,669)
- Cost	(406,679,677)	(49,486,761)	-	(64,366,232)	(520,532,669)
Correction of error (Note 39)	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-
Restated carrying values at 01 July 2015	978,452,243	288,074,076	6,017,355	69,409,041	1,341,952,715
Acquisitions	29,663,121	5,055,178	-	10,033,128	44,751,427
Capital under Construction - Additions	97,053,191	1,895,950	1,846,350	-	100,795,491
- Cost	97,053,191	1,895,950	1,846,350	-	100,795,491
Depreciation:	(31,450,145)	(7,391,659)	-	(16,565,912)	(55,407,716)
- Based on Cost	(31,450,145)	(7,391,659)	-	(16,565,912)	(55,407,716)
Adjustment of Carrying values:	(68,642)	-	-	-	(68,642)
- Cost	(68,642)	-	-	-	(68,642)
Adjustment of Depreciation	68,642	-	-	-	68,642
Capital under Construction - Completed	(51,604,039)	(8,180,438)	-	-	(59,784,477)
Other Movements	51,604,039	8,180,438	-	-	59,784,477
- Cost	51,604,039	8,180,438	-	-	59,784,477
Carrying values at 30 June 2016	1,073,718,409	287,633,546	7,863,705	62,876,258	1,432,091,918
Cost	1,511,779,588	344,511,966	7,863,705	143,808,401	2,007,963,660
- Completed Assets	1,227,927,292	338,156,557	6,017,355	143,808,401	1,715,909,605
- Under Construction	283,852,297	6,355,409	1,846,350	-	292,054,056
Accumulated Depreciation:	(438,061,180)	(56,878,420)	-	(80,932,143)	(575,871,743)
- Cost	(438,061,180)	(56,878,420)	-	(80,932,143)	(575,871,743)

Refer to Appendices "B, C and E (2)" for more detail on Property, Plant and Equipment, including those in the course of construction.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2017

	2017 R	2016 R
9. PROPERTY, PLANT AND EQUIPMENT AND HERITAGE ASSETS (Continued)		
9.1 Carrying Amount of Property, Plant and Equipment temporarily idle:		
An element of plant of the Municipality is currently temporarily not in use. The carrying amount of this asset, which is included in the reconciliation of the carrying value of Property, Plant and Equipment as above, is as follows:	<u>57,855</u>	<u>79,217</u>
9.2 Heritage Assets		
The municipality identified certain categories of assets that can be classified as Heritage Assets. Some of these categories are not valued due to the fact that no active market exists for these items and therefore no value can be attached to it. The mentioned categories are: <i>Municipal Jewellery, Antique Paintings, Monuments (including plaques or busts)</i> . The note below gives the detail of the composition of the heritage registers and the values attached thereto.		
Heritage assets disclosed in the financial statements consist of the following:		
Land (24 areas)	5,981,199	6,765,789
Antiques Other (38 items)	36,156	36,156
Antiques Paintings (15 items)	-	-
Municipal Jewellery (2 items)	-	-
Monuments (13 items)	-	-
Monuments (Work in progress)	1,846,350	1,846,350
Total	<u>7,863,705</u>	<u>8,648,295</u>
9.3 Work in Progress (WIP) - Projects significantly delayed		
Included in the work in progress balance is the following amount pertaining to the Riverton high lift pumps. This project has been significantly delayed due to the fact that the pump station building needed to be refurbished to enable the fitting of the pumps.	27,392,290	
The project relating to the Ritchie Bulk Water augmentation has been delayed due to challenges experienced with the funding of this project.	12,022,391	
10. INTANGIBLE ASSETS		
At Cost less Accumulated Amortisation and Accumulated Impairment Loss	<u>3,825,728</u>	<u>6,299,418</u>
The movement in Intangible Assets is reconciled as follows:		
	Computer Software	Total
Carrying values at 01 July 2016	6,299,418	6,299,418
Cost	9,903,284	9,903,284
Accumulated Amortisation	(3,603,866)	(3,603,866)
Acquisitions during the Year:	2,366,004	2,366,004
Purchased	2,366,004	2,366,004
Amortisation during the Year:	(4,839,694)	(4,839,694)
Purchased	(4,839,694)	(4,839,694)
Transfers during the Year:	0	0
At Cost	(642,140)	(642,140)
At Accumulated Amortisation	642,140	642,140
Carrying values at 30 June 2017	3,825,728	3,825,728
Cost	11,627,148	11,627,148
Accumulated Amortisation	(7,801,420)	(7,801,420)
	Computer Software	Total
Carrying values at 01 July 2015	4,698,938	4,698,938
Cost	6,136,351	6,136,351
Accumulated Amortisation	(1,437,413)	(1,437,413)
Acquisitions during the Year:	3,766,933	3,766,933
Purchased	3,766,933	3,766,933
Amortisation during the Year:	(2,166,453)	(2,166,453)
Purchased	(2,166,453)	(2,166,453)
Carrying values at 30 June 2016	6,299,418	6,299,418
Cost	9,903,284	9,903,284
Accumulated Amortisation	(3,603,866)	(3,603,866)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 31).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality. No restrictions apply to any of the Intangible Assets of the municipality.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2017

	2017 R	2016 R
11. INVESTMENT PROPERTY		
At Cost less Accumulated Depreciation	195,886,029	196,328,319
The movement in Investment Property is reconciled as follows:		
Carrying values at 1 July	196,328,319	194,623,613
Cost	197,972,781	196,050,193
Accumulated Depreciation	(1,644,461)	(1,426,580)
Acquisitions during the Year	115,400	2,336,988
Depreciation during the Year	(217,286)	(217,882)
Disposals during the Year:	(340,404)	(414,400)
At Cost	(340,404)	(414,400)
Transfers during the Year:	-	-
At Cost	-	-
Carrying values at 30 June	195,886,029	196,328,319
Cost	197,747,777	197,972,781
Accumulated Depreciation	(1,861,748)	(1,644,461)
Estimated Fair Value of Investment Property at 30 June	197,747,777	198,016,169
Revenue and Expenditure disclosed in the Statement of Financial Performance include: Rental		
Revenue earned from Investment Property	389,168	418,498

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal. Impairment is assessed annually and if an indicator of impairment is identified, the investment property will be impaired.

There are no contractual obligations on Investment Property.

12. LONG-TERM RECEIVABLES

Staff were previously entitled to loans from the Municipality. This practice has been phased out by the Municipality in terms of the requirements of the MFMA. Subsequent to this change in policy, all loans have been repaid.

13. CONSUMER DEPOSITS

Electricity and Water	26,182,008	24,966,967
Total Consumer Deposits	26,182,008	24,966,967
Guarantees held in lieu of Electricity and Water Deposits	3,457,193	3,457,988

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account. No interest is paid on Consumer Deposits held.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2017

	2017 R	2016 R
14. EMPLOYEE BENEFITS		
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 19 below)	7,007,261	6,298,572
Current Portion of Long Service Liability (See Note 19 below):	<u>2,500,064</u>	<u>2,396,929</u>
Total Provisions	<u>9,507,325</u>	<u>8,695,501</u>

15. CREDITORS

Trade Creditors	95,338,281	102,525,669
Payments received in Advance	16,414,735	16,392,940
Staff Bonuses	10,270,236	9,911,283
Other Creditors	1,256,734	-
Accrued Leave	33,492,342	32,442,363
Total Creditors	<u>156,772,329</u>	<u>161,272,255</u>

Various immaterial individual creditor balances have been restated for the prior year. Refer to Note 39 on "Correction of Error" for the quantum of the restatement as at 30 June 2016.

Accrued Leave accrues to the staff of the municipality on a monthly basis, subject to certain conditions. The accrual is an estimate of the amount due at the reporting date.

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair value.

16. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

16.1 Conditional Grants from Government

	12,349,709	11,012,029
Grants	<u>12,349,709</u>	<u>11,012,029</u>
Total Conditional Grants and Receipts	<u>12,349,709</u>	<u>11,012,029</u>

See Note 26 for the reconciliation of Grants from Other Spheres of Government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld. Refer to Appendix "F" for more detail on Conditional Grants.

17. VAT PAYABLE FROM EXCHANGE TRANSACTIONS

Vat Payable from Exchange Transactions	<u>32,725,353</u>	<u>24,740,958</u>
Vat is payable on the payment basis. Only once payment is received from debtors, VAT is paid over to SARS. No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.		

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2017

	2017 R	2016 R
18. LONG TERM LIABILITIES		
Annuity Loans	218,672,802	226,876,321
Sub-total	218,672,802	226,876,321
Less: Current Portion transferred to Current Liabilities:-	8,238,168	8,201,006
Annuity Loans	8,238,168	8,201,006
Total Long-term Liabilities	210,434,634	218,675,316

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

R24,000,000 of the Debtors book as well as an investment of R20,973,203 with Standard Bank have been ceded as security on two loans with the DBSA .

Refer to Appendix "A" for more detail on Long-term Liabilities.

19. EMPLOYEE BENEFIT LIABILITIES

Long Service Awards	14,043,746	15,782,694
Post-retirement Health Care Benefits Liability	200,596,651	218,448,583
Total Non-current Provisions	214,640,397	234,231,277

The movement in Employee Benefit Liabilities are reconciled as follows:

19.1 Post-retirement Health Care Benefits Liability

Balance at beginning of Year	224,747,155	174,409,000
Contributions to Provision	(6,298,572)	(4,928,000)
Expenditure incurred	30,554,474	23,917,000
Actuarial loss/(gain)	(41,399,145)	31,349,155
Wholly unfunded balance at year end	207,603,912	224,747,155
Transfer to Current Provisions	(7,007,261)	(6,298,572)
Total Post-retirement Health Care Benefits Liability	200,596,651	218,448,583

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017 by C Weiss, Fellow member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service (employee) members	1,281	1,263
In-service (employee) non-members	123	428
Continuation Members (retirees and widowers)	208	211
Total Members	1,612	1,902

The liability in respect of past service has been estimated as follows:

In-service Members	130,997,809	142,123,728
In-service Non-members	3,393,129	8,404,137
Continuation Members	73,212,974	74,219,290
Total Liability	207,603,912	224,747,155

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Hosmed
- Key Health
- LA Health
- Samwumed

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2017

	2017 R	2016 R			
19. EMPLOYEE BENEFIT LIABILITIES (Continued)					
The principal assumptions used for the purposes of the actuarial valuations were as follows:					
Discount Rate	9.20%	9.03%			
Health Care Cost Inflation Rate	7.52%	8.14%			
Net Effective Discount Rate	1.56%	0.83%			
Expected Rate of Salary Increase (ERSI)	3.51%	3.82%			
Expected Retirement Age - Females	63	63			
Expected Retirement Age - Males	63	63			
Movements in the present value of the Defined Benefit Obligation were as follows:					
Balance at the beginning of the year	224,747,155	174,409,000			
Current service costs	10,531,193	7,813,000			
Interest cost	20,023,281	16,104,000			
Benefits paid	(6,298,572)	(4,928,000)			
Actuarial loss/(gain)	(41,399,145)	31,349,155			
Present Value of Fund Obligation at the end of the Year	207,603,912	224,747,155			
Total Recognised Benefit Liability	207,603,912	224,747,155			
The amounts recognised in the Statement of Financial Position are as follows:					
Present value of fund obligations	207,603,912	224,747,155			
Total Benefit Liability	207,603,912	224,747,155			
The amounts recognised in the Statement of Financial Performance are as follows:					
Current service cost	10,531,193	7,813,000			
Interest cost	20,023,281	16,104,000			
Total Post-retirement Benefit included in Employee Related Costs (Note 29)	30,554,474	23,917,000			
The history of experienced adjustments is as follows:					
	2017 R	2016 R	2015 R	2014 R	2013 R
Present Value of Defined Benefit Obligation	207,603,912	224,747,155	174,409,000	190,117,066	162,403,503
Deficit	207,603,912	224,747,155	174,409,000	190,117,066	162,403,503
	2017 R	2016 R			
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:					
Increase:					
Effect on the aggregate of the current service cost and the interest cost	31,685,300	24,694,000			
Effect on the defined benefit obligation	209,679,951	232,794,000			
Decrease:					
Effect on the aggregate of the current service cost and the interest cost	30,248,929	22,824,000			
Effect on the defined benefit obligation	205,527,873	213,189,000			

Refer to Note 49 "Multi-employer Retirement Benefit Information" to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2017

	2017 R	2016 R
19. EMPLOYEE BENEFIT LIABILITIES (Continued)		
19.2 Ex-Gratia Arrangements		
Balance at beginning of year	-	907,000
Current service cost	-	-
Interest cost	-	-
Expenditure incurred / Contribution	-	(907,000)
Actuarial Loss / (Gain)	-	-
Transfer to current provisions	-	-
Balance at end of year	-	-

Ex-gratia pensions are pensions that are paid by the Municipality from its revenue i.e. they are not funded or paid from one of the Municipality's pension arrangements. Provision has therefore not been made in this valuation for the possibility that future employees might be entitled to these annuities.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2015 by N Fourie and J van der Spuy, Fellow members of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end there were no remaining employees eligible for Ex-gratia arrangement awards.

The interest costs for the year is estimated to be: -

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	-	907,000
Expenditure incurred / Contribution	-	(907,000)
Present Value of Fund Obligation at the end of the Year	-	-
Total Recognised Benefit Liability	-	-

The history of experienced adjustments is as follows:

	2017 R	2016 R	2015 R	2014 R	2013 R
Present Value of Defined Benefit Obligation	-	-	907,000	835,000	624,207
Deficit	-	-	907,000	835,000	624,207

	2017 R	2016 R
19.3 Long Service Awards		
Balance at beginning of year	18,179,623	18,233,000
Current service cost	2,138,866	1,968,000
Interest cost	1,415,998	1,510,000
Expenditure incurred / Contribution	(2,396,929)	(2,520,000)
Actuarial Loss / (Gain)	(2,793,748)	(1,011,377)
Transfer to current provisions	(2,500,064)	(2,396,929)
Balance at end of year	14,043,746	15,782,694

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2017

19. EMPLOYEE BENEFIT LIABILITIES (Continued)

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality. The provision represents an estimation of the awards to which employees in the service of the Municipality may become entitled to in future, based on an actuarial valuation performed.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017 by C Weiss, Fellow member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end 1,404 employees were eligible for Long-service Awards.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	8.13%	8.33%
Cost Inflation Rate	5.94%	6.00%
Net Effective Discount Rate	2.06%	1.24%
Expected Rate of Salary Increase	7.00%	7.00%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	18,179,623	18,233,000
Current service costs	2,138,866	1,968,000
Interest cost	1,415,998	1,510,000
Benefits paid	(2,396,929)	(2,520,000)
Actuarial loss / (gains)	(2,793,748)	(1,011,377)
Present Value of Fund Obligation at the end of the Year	16,543,810	18,179,623
Total Recognised Benefit Liability	16,543,810	18,179,623

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	16,543,810	18,179,623
Total Benefit Liability	16,543,810	18,179,623

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	2,138,866	1,968,000
Interest cost	1,415,998	1,510,000
Benefits paid	(2,396,929)	(2,520,000)
Actuarial loss / (gains)	(2,793,748)	(1,011,377)
Total Post-retirement Benefit included in Employee Related Costs (Note 29)	(1,635,813)	(53,377)

The history of experienced adjustments is as follows:

	2017 R	2016 R	2015 R	2014 R	2013 R
Obligation	16,543,810	18,179,623	18,233,000	16,904,000	14,323,824
Deficit	16,543,810	18,179,623	18,233,000	16,904,000	14,323,824
				2017 R	2016 R

The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	3,050,000	3,748,000
Effect on the defined benefit obligation	17,223,000	19,015,000

Decrease:

Effect on the aggregate of the current service cost and the interest cost	2,775,200	3,375,400
Effect on the defined benefit obligation	15,907,000	17,400,000

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2017

	2017 R	2016 R
20. NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Land-fill Sites	26,747,952	27,624,298
Total Non-current Provisions	<u><u>26,747,952</u></u>	<u><u>27,624,298</u></u>

The movement in Non-current Provisions are reconciled as follows:

20.1 Rehabilitation of Land-fill Sites

Balance at beginning of year	27,624,298	27,336,931
Current service cost		-
Interest cost		-
Expenditure incurred / Contribution	(876,346)	287,367
Actuarial Loss / (Gain)	-	-
	<u>26,747,952</u>	<u>27,624,298</u>
Transfer to current provisions		-
Balance at end of year	<u><u>26,747,952</u></u>	<u><u>27,624,298</u></u>

In terms of the licensing of the landfill refuse sites, the municipality will incur the following licensing and rehabilitation costs to restore the site at the end of its useful life, estimated to be in 2025 (provision has been made for the net present value of this cost, using the average cost of borrowing interest rate):

26,747,952	27,624,298
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An independent valuer performed the valuation. The valuer based his calculations on the rehabilitation costs incurred on a similar site in the Eastern Cape area.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Inflation Rate	6.00%	5.00%
Size of landfill site in hectares	16	16
Annual tonnage of waste deposited	72,000	72,000
Approximately 1ha per year of the landfill site is considered to be filled with no air space remaining and may be prepared for rehabilitation.		

21. ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Internal Funds and Reserves:

Capital Replacement Reserve (CRR)	92,131,484	70,058,765
Self-insurance Reserve	24,092,886	23,548,290
C.O.I.D. Reserve	10,720,710	10,610,435
Accumulated Surplus due to the results of Operations	<u>2,207,786,622</u>	<u>1,975,540,087</u>
Total Accumulated Surplus	<u><u>2,334,731,702</u></u>	<u><u>2,079,757,577</u></u>

The **Capital Replacement Reserve (CRR)** is a reserve to finance future capital expenditure and is fully cash backed.

The **Self-insurance Reserve** covers all internal and external insurance claims against Council. Council is externally insured for catastrophic events.

The Compensation Commissioner for Occupational Injuries and Diseases (**C.O.I.D.**) Reserve arises on the exemption from making contributions to the Compensation Commissioner for Occupational Injuries and Diseases in terms of Section 84 of the COID Act. A fixed deposit as determined by the Commissioner was made as a security to the Self-Insurance Workman Compensation Reserve. Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2017

			2017 R	2016 R
22. PROPERTY RATES				
	Property Valuations		Actual Levies	
	July 2016	July 2015		
	R000's	R000's		
Residential	16,873,818	16,124,603	154,946,745	134,083,243
Business	4,609,862	4,385,479	125,484,655	113,367,185
Residential Business	-	312,065	-	5,380,547
Rural	1,979,455	2,400,710	2,355,142	5,392,190
Industrial	483,103	486,833	14,908,298	14,871,730
PSI	74,624	63,255	-	-
State	2,988,300	3,109,744	155,135,205	196,476,528
Mining Areas	71,107	75,792	15,666,773	14,825,854
Exempt	2,335,190	2,255,118		
Total Assessment Rates	29,415,459	29,213,599	468,496,818	484,397,277

Valuations on land and buildings are performed every four years in terms of the Municipal property rates act (MPRA). The last general valuation came into effect on 1 July 2015. Supplementary valuations are processed when necessary to take into account changes in individual property values due to alterations, subdivisions, etc. Rates are levied on an annual basis with the final date of payment being 30 September each year. Ratepayers can apply to pay rates monthly. Assessment Rates are levied on the value of land and improvements, which valuation is performed every four years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A rebate of 55% (2016: 50%) was allowed on residential properties for pensioners based on the annual income of the ratepayer's household.

	2017 R	2016 R
23. INTEREST EARNED		
External Investments:		
Interest	21,576,378	20,995,888
Outstanding Debtors:		
Outstanding Debtors	130,078,100	101,386,838
Total Interest Earned	151,654,478	122,382,726
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Financial instruments at amortised cost	151,654,478	122,382,726

24. SERVICE CHARGES		
Sale of Electricity	618,301,386	595,476,606
Sale of Water	254,176,629	223,279,630
Refuse Removal	55,729,465	53,148,834
Sewerage and Sanitation Charges	73,786,690	69,997,843
Free Basic Services Indigent Subsidies	(38,949,280)	(32,695,833)
Total Service Charges	963,044,889	909,207,080

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

25. RENTAL OF FACILITIES AND EQUIPMENT		
Rental Revenue from Facilities and Equipment	10,024,738	9,839,067
Total Rental of Facilities and Equipment	10,024,738	9,839,067

Rental revenue earned on Facilities and Equipment is in respect of residential buildings rented out.

26. GOVERNMENT GRANTS AND SUBSIDIES		
Unconditional Grants		
National Equitable Share	144,171,000	143,335,000
Other Subsidies	8,176,342	7,980,501
Operational Grants	152,347,342	151,315,501
Conditional Grants	101,099,786	124,627,503
National: Financial Management Grant (FMG)	1,625,000	1,600,000
National: Municipal Infrastructure Grant (MIG)	37,079,000	48,329,000
National: Grants	49,005,993	50,574,956
National: Expanded Public Works Programme (EPWP)	5,574,000	4,984,000
Provincial: Grants	-	12,121,635
Local Government: Local Municipalities Grant	7,815,794	7,017,911
Total Government Grants and Subsidies	253,447,128	275,943,005

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2017

	2017 R	2016 R
26. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
Unconditional Grants:		
26.1 National Equitable Share:	144,171,000	143,335,000
This unconditional grant is partly used to subsidise the provision of basic services to registered and verified indigent community members.		
26.2 Provincial Health Subsidies:		
Balance unspent at beginning of year	-	-
Current year receipts - included in Public Health vote	-	-
- Primary Health	-	-
Conditions met - transferred to Revenue	-	-
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-
The Municipality renders health services on behalf of the Provincial Government and is refunded the gazette amount. This grant has been used exclusively for health services (included in Appendix F).		
26.3 Other Subsidies		
Balance unspent at beginning of year	-	-
Current year receipts:	8,176,342	7,980,501
- Library	8,006,000	6,609,000
- Miscellaneous	170,342	1,371,501
Conditions met - transferred to Revenue	(8,176,342)	(7,980,501)
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-
The Municipality renders services on behalf of the Provincial Government and is refunded the gazette amount. This grant has been used exclusively to library expenditure (included in Appendix F). The conditions of the grant have been met.		
Conditional Grants:		
26.4 National: FMG		
Balance unspent at beginning of year	-	-
Current year receipts	1,625,000	1,600,000
Conditions met - transferred to Revenue: Operating Expenses	(1,625,000)	(1,600,000)
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-
The Financial Management Grant is paid by National Treasury to high capacity municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). The grant is spent in accordance with National Treasury guidelines (included in Appendix F). Not all funds have been paid.		
26.5 National: MIG		
Balance unspent at beginning of year	-	-
Current year receipts	37,079,000	48,329,000
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(37,079,000)	(48,329,000)
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-
This grant was used for various projects (included in Appendix F). No funds have been withheld.		
26.6 National: Grants		
Balance unspent at beginning of year	506,201	31,651,158
Current year receipts	51,143,672	19,430,000
Conditions met - transferred to Revenue: Operating Expenses	(1,562,320)	(4,715,903)
Conditions met - transferred to Revenue: Capital Expenses	(47,443,672)	(45,859,054)
Conditions still to be met - transferred to Liabilities (see Note 16)	2,643,881	506,201
This grant was used for various projects (included in Appendix F). No funds have been withheld.		
26.7 National - EPWP		
Balance unspent at beginning of year	-	-
Current year receipts	5,574,000	4,984,000
Conditions met - transferred to Revenue: Operating Expenses	(5,574,000)	(4,984,000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-
This grant was used for various projects (included in Appendix F). No funds have been withheld.		
26.8 Provincial: Grants		
Balance unspent at beginning of year	10,505,828	-
Current year receipts	-	22,627,463
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(800,000)	(12,121,635)
Conditions still to be met - transferred to Liabilities (see Note 16)	9,705,828	10,505,828
The grant is spent in accordance with business plans approved by the Provincial Government (included in Appendix F). Not all funds have been paid.		

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2017

	2017 R	2016 R
26. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
26.9 Local Government - Local Municipalities		
Balance unspent at beginning of year	-	-
Current year receipts	7,815,794	7,017,911
Conditions met - transferred to Revenue: Operating Expenses	(2,815,794)	(1,599,294)
Conditions met - transferred to Revenue: Capital Expenses	(5,000,000)	(5,418,617)
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-
The grant is spent in accordance with business plans approved by the FBD Municipality (included in Appendix F). No funds have been withheld.		
26.10 Changes in levels of Government Grants		
Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2008), government grant funding is expected to increase over the forthcoming three financial years.		
27. PUBLIC CONTRIBUTIONS AND DONATIONS		
Donations Received	-	260,514
Total Public Contributions and Donations	-	260,514
Donations received comprise of various assets that was paid for by a third party.		
28. OTHER INCOME		
Premiums received and claims recovered	4,521,160	4,406,042
Admission, Academic and transaction fees	6,249,711	5,645,566
Burial fees	2,001,014	1,819,712
Building Plan Approvals	1,665,122	1,722,700
Market Fees	3,241,032	3,541,156
Draining Fees	968,292	996,328
Unclaimed fines, deposits and stale cheques	1,646,736	1,869,036
Other Income	5,665,066	3,986,055
Total Other Income	25,958,133	23,986,595
The amounts disclosed above for Other Income are in respect of services, other than described in Notes 22 to 26, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.		
29. EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	321,653,234	328,026,159
Employee Related Costs - Contributions for UIF and Medical Aids	43,935,187	36,718,228
Employee Related Costs - Contributions for Pensions	51,000,500	44,069,507
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	112,116,269	97,706,204
Housing Benefits and Allowances	2,830,109	2,501,884
Overtime Payments	33,685,148	27,574,133
Long-service Awards	11,460,524	9,544,278
Defined Benefit Plan Expense:	(10,083,555)	56,825,778
Current Service Cost	12,670,059	9,781,000
Interest Cost	21,439,279	17,614,000
Net Actuarial loss/(gain) recognised	(44,192,893)	29,430,778
Total Employee Related Costs	566,597,417	602,966,171
Remuneration of the Municipal Manager		
Annual Remuneration	1,647,100	1,529,204
Car Allowance	150,000	150,000
Company Contributions to UIF, Medical and Pension Funds	322,969	304,789
Total	2,120,069	1,983,993
Remuneration of the Director: Finance		
Annual Remuneration	970,919	853,936
Car Allowance	364,956	318,420
Company Contributions to UIF, Medical and Pension Funds	183,735	176,005
Total	1,519,610	1,348,361
Remuneration of the Director: Corporate Services		
Annual Remuneration	1,131,555	856,011
Car Allowance	180,000	318,420
Company Contributions to UIF, Medical and Pension Funds	235,831	180,502
Total	1,547,386	1,354,933

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2017

	2017 R	2016 R
29. EMPLOYEE RELATED COSTS (Continued)		
<i>Remuneration of the Director: Strategy, Economic Development and Planning</i>		
Annual Remuneration	954,412	843,169
Car Allowance	343,239	318,420
Company Contributions to UIF, Medical and Pension Funds	222,919	177,853
Total	1,520,570	1,339,442
<i>Remuneration of the Director: Community Services</i>		
Annual Remuneration	998,243	852,681
Car Allowance	361,716	318,420
Company Contributions to UIF, Medical and Pension Funds	154,950	149,552
Total	1,514,909	1,320,653
<i>Remuneration of the Director: Technical Services</i>		
Annual Remuneration	991,627	659,509
Car Allowance	339,571	285,479
Company Contributions to UIF, Medical and Pension Funds	177,122	170,742
Total	1,508,321	1,115,730
The post was vacant for the year. The above amounts are of the employees acted in the position.		
The following compensation was payable to key management personnel in terms of GRAP as at 30 June:		
Staff Leave Benefits:-		
Municipal Manager	76,714	114,944
Chief Financial Officer	188,112	172,293
Director Community	24,921	110,832
Director Corporate	98,149	145,578
Director SED	127,828	113,063
Total	515,725	656,710
30. REMUNERATION OF COUNCILLORS		
Executive Mayor	901,706	818,699
Speaker	721,364	659,301
Councillors	15,596,992	13,434,881
Contributions to UIF, Medical and Pension Funds and other allowances	7,790,947	6,035,206
Total Councillors' Remuneration	25,011,009	20,948,087
<i>In-kind Benefits</i>		
The Councillors occupying the positions of Executive Mayor, Speaker and the Mayoral Committee serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties. Council owned vehicles are made available for official duties.		
31. DEPRECIATION AND AMORTISATION		
Depreciation: Property, Plant and Equipment	53,650,872	55,407,716
Amortisation: Intangible Assets	4,839,694	2,166,453
Depreciation: Investment Property	217,286	217,882
Total Depreciation and Amortisation	58,707,853	57,792,050
32. IMPAIRMENT LOSS		
<i>32.1 Impairment Loss on Financial Assets</i>		
Impairment Losses Recognised:		
Trade Receivables from exchange transactions	190,194,771	159,613,107
Trade Receivables from non-exchange transactions	183,174,143	151,506,351
	7,020,628	8,106,756
Total Impairment Loss	190,194,771	159,613,107
33. FINANCE COSTS		
Loans and Payables at amortised cost	27,789,438	29,018,431
Total Interest Paid on External Borrowings	27,789,438	29,018,431
34. BULK PURCHASES		
Electricity	422,425,501	387,543,591
Water	69,540,651	66,466,299
Total Bulk Purchases	491,966,152	454,009,890

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst water is purchased from the Department Water Affairs and Forestry.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2017

35. CONTRACTED SERVICES	2017 R	2016 R
Audit committee	551,596	483,626
Legal and collection cost	6,002,673	4,838,400
Maintenance of Equipment and Security	7,017,734	3,918,452
Project Management	4,034,862	1,969,920
Prepaid Vendor	23,827,253	18,333,313
Other Contracted Services	736,377	1,788,490
Total Grants and Subsidies	42,170,495	31,332,201

36. GRANTS AND SUBSIDIES PAID		
Diamonds and Dorings Festival	2,500,000	2,124,035
Gariiep Festival	1,500,000	1,300,000
Indigent subsidy	-	-
Other Grants	2,484,007	1,501,196
Subsidy paid to Society for Prevention of Cruelty against Animals (SPCA)	1,500,000	1,700,000
Total Grants and Subsidies	7,984,007	6,625,231

The grants to the festivals are to promote economic growth. The subsidy to the SPCA is to assist the municipality to care for stray animals and other related tasks. The subsidy is paid on an annual basis.

37. GENERAL EXPENSES

Repairs and Maintenance

Hardware in Store	9,314,422	2,768,597
Stores Workshop	140,524	146,730
Building Maintenance	5,747,529	5,263,393
Electricity Maintenance	19,820,653	15,638,914
Fleet Maintenance	15,158,682	13,042,093
General Maintenance	12,073,035	20,834,201
Refuse Maintenance	8,946,113	12,050,894
Roads	18,163,910	35,627,331
Stormwater	1,042,769	-
Safety	207,653	719,027
Sewer	13,373,259	7,814,519
Streetlights	5,902,982	6,200,281
Water	11,856,176	13,577,765

Sub Total Repairs and Maintenance

121,747,706 **133,683,745**

Other Expenses

Audit fees	3,023,231	3,911,274
Bank charges	3,126,687	2,853,288
Catering municipal activities	1,123,317	207,551
Claims paid	607,243	687,393
Clarification/Purification Chemicals	6,399,861	6,132,095
Cleaning material	1,358,458	1,300,853
Conferences and seminars	7,135,218	8,986,436
Course fees/Skills development levy	5,271,153	5,058,869
Discount on early payment	26,662,598	25,667,386
Electricity	-	-
Fuel	10,440,087	10,233,945
Interns and learner ships	1,455,664	2,063,203
Insurance and claims	5,515,108	5,187,271
Membership fees	6,566,311	6,015,855
Postage	2,479,014	2,183,780
Printing and stationery	8,173,279	6,726,040
Refuse removals	-	-
Sanitation	-	-
Software licences and Computer services	3,048,748	4,429,994
Sport/Transport events	1,077,407	1,065,548
Telephone expenditure	4,006,599	4,269,577
Uniforms and Protective clothing	4,134,053	3,831,362
Vehicle licences	1,124,709	1,062,611
Vehicle tracking	839,811	756,195
Water	-	-
Water resource management fee	1,952,948	2,061,442
Ward committee activities	1,612,747	3,262,080
Workmen's compensation insurance	1,289,022	1,346,553
Other General Expenses	5,847,901	12,871,024

Sub Total Other Expenses

114,271,175 **122,171,625**

Total General Expenses

236,018,880 **255,855,370**

The comparative figures for General Expenses have been restated to correct errors contained in the prior year Financial Statements. Refer to note 39 on Correction of Errors for details of the restatement.

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not directly attributable to a specific service or class of expense.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2017

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38. CHANGE IN ACCOUNTING POLICY

There were no changes in accounting policy during the current financial year under review.

39. CORRECTION OF ERROR

Corrections were made and appropriated to the Accumulated Surplus Account during the financial year ended 30 June.

Details of the appropriations are as follows:

Unappropriated Surplus Account:

Corrections to Creditors	(215,548)
Corrections to Expenditure	<u>(44,852,304)</u>
Increase / (Decrease) in Unappropriated Surplus Account	<u>(45,067,852)</u>
Increase / (Decrease) in Accumulated Surplus Account	<u>(45,067,852)</u>

39.1 Restatement of Revenue:

The prior year figures of Revenue Classes have been restated to correctly classify the nature of Revenue of the municipality. Refer to note 39.8 for further details regarding the nature of these errors and how it was rectified.

The effect of the Correction of Error is as follows:

	2016 Revenue	2016 Correction	Restated Amount
Other Income	23,659,662	326,932	23,986,595
	<u>23,659,662</u>	<u>326,932</u>	<u>23,986,595</u>

39.2 Restatement of Expenditure:

The prior year figures of Expenditure Classes have been restated to correctly classify the nature of Expenditure of the municipality. Refer to note 39.6 and 39.9 for further details regarding the nature of these errors and how it was rectified.

The effect of the Correction of Error is as follows:

	2016 Expenditure	2016 Correction	Restated Amount
Employee Related Costs	600,873,547	2,092,624	602,966,171
Contracted Services	30,876,978	455,223	31,332,201
General Expenses	175,681,639	80,173,731	255,855,370
Repairs and Maintenance	120,274,041	(120,274,041)	-
	<u>985,498,254</u>	<u>(37,552,462)</u>	<u>947,945,792</u>

39.3 Restatement of Statement of Financial Position:

The prior year balances of items on the Statement of Financial Position have been restated to correctly classify the nature of the balances.

The effect of the Correction of Error is as follows:

	2016 Fin Position	2016 Correction	Restated Amount
Accumulated Surplus	2,149,178,236	(69,420,659)	2,079,757,577
Payables from Exchange Transactions	159,291,016	1,981,239	161,272,255
Property, Plant and Equipment	1,491,144,032	(66,915,819)	1,424,228,213
Trade Receivables from Exchange Transactions	332,456,474	(3,853,279)	328,603,194

39.4 Restatement of Non-current Liabilities:

No restatements for the financial year.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2017

39. CORRECTION OF ERROR (Continued)

39.5 Restatement of Current Liabilities:

Included in the prior year's restated payables from exchange balance is an amount of R2 092 624 in respect of a salary contracted workers correction retrospectively.

The effect of the Correction of Error is as follows:

	Payables from Exchange Transactions
Balances as per AFS previously published for 2015/2016	159,291,016
Restatement of Current Liabilities	1,981,239
Balances as per current AFS published for 2015/2016	<u>161,272,255</u>

39.6 Restatement of Non-Current Assets

The prior year figure for Work in progress on Assets were unbundled identifying expenditure that was moved to General Expenditure and the Surplus Account (this restatement was due to a corrections made to the Asset Register). This oversight has been rectified and the restated figure is reflected below.

The effect of the Correction of Error is as follows:

	Heritage Assets	Property, Plant and Equipment
Balances as per AFS previously published for 2015/2016	8,648,295	1,491,144,032
Restatement of non-current assets	(784,590)	(66,915,819)
Balances as per current AFS published for 2015/2016	<u>7,863,705</u>	<u>1,424,228,213</u>

39.7 Restatement of Depreciation:

No restatement was needed for Depreciation.

39.8 Adjustment of Revenue:

Included in the restated prior year figures for Other Income (refer to Note 28) is various unknown deposits which has now been classified as revenue.

The effect of the Correction of Error is as follows:

	Other Income
Balances as per AFS previously published for 2015/2016	23,659,662
Adjustment of prior period revenue	326,932
Balances as per current AFS published for 2015/2016	<u>23,986,595</u>

39.9 Adjustment of Expenses:

The prior year figure for Work in progress on Assets were unbundled identifying expenditure that was moved to General Expenditure and the Surplus Account (this restatement was due to a corrections made to the Asset Register). This oversight has been rectified and the restated figure is reflected below.

The effect of the Correction of Error is as follows:

	Employee Related Costs	Maintenance Expenditure	General Expenses
Balances as per AFS previously published for 2015/2016	600,873,547	120,274,041	175,681,639
Adjustment of prior period expenses	2,092,624	(120,274,041)	80,173,731
Balances as per current AFS published for 2015/2016	<u>602,966,171</u>	<u>-</u>	<u>255,855,370</u>

39.10 Restatement of Current Assets

Included in the prior year's restated balance for Current Assets are restated balances for Trade Receivables from Non Exchange Transactions. The effect on Accumulated Surplus and on Current Assets is reflected below.

The effect of the Correction of Error is as follows:

	Current Assets
Balances as per AFS previously published for 2015/2016	1,166,357,395
Adjustment for prior period error	(3,548,902)
Balances as per current AFS published for 2015/2016	<u>1,162,808,493</u>

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2017

	2017 R	2016 R
40. CHANGE IN ACCOUNTING ESTIMATES		
No changes were made to existing accounting estimates during the current financial year that could potentially have a material impact on the Annual Financial Statements.		
41. CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	254,974,125	235,873,458
Adjustment for:		
Adjusting non cash flow items prior errors	4,212,532	(215,548)
Depreciation and Amortisation	58,707,853	57,792,050
Contribution to Impairment Provision	192,872,291	161,570,809
Bad Debts Written-off	(34,409,273)	(21,154,765)
Investment Income	(151,654,478)	(122,382,726)
Finance Costs	27,789,438	29,018,431
Operating surplus before working capital changes	352,492,487	340,501,709
(Increase)/Decrease in Inventories	720,418	231,245
(Increase)/Decrease in Trade Receivables from Exchange Transactions	(267,255,051)	(206,579,301)
(Increase)/Decrease in Trade Receivables from Non-Exchange Transactions	(102,975,494)	(118,494,524)
(Increase)/Decrease in VAT Receivable	2,031,545	(4,365,393)
(Increase)/Decrease in Operating Lease Assets	34,999	37,186
Increase/(Decrease) in Consumer Deposits	1,215,041	3,118,555
Increase/(Decrease) in Creditors	(4,499,926)	5,027,534
Increase/(Decrease) in Conditional Grants and Receipts	1,337,680	(20,639,129)
(increase)/Decrease in provisions	(19,655,402)	49,665,145
Increase/(Decrease) in VAT Payable	7,984,395	4,426,023
Cash generated by / (utilised in) Operations	(28,569,307)	52,929,052
Income for the year	1,904,976,127	1,854,545,704
Adjustment for:-		
Investment income	(151,654,478)	(122,382,726)
(Increase)/Decrease in Trade Receivables from Exchange Transactions	(267,255,051)	(206,579,301)
Bad Debts Written-off	(34,409,273)	(21,154,765)
(Increase)/Decrease in Operating Lease Assets	34,999	37,186
Increase/(Decrease) in Consumer Deposits	1,215,041	3,118,555
(Increase)/Decrease in Trade Receivables from Non-Exchange Transactions	(102,975,494)	(118,494,524)
(Decrease)/Increase in conditional grants and receipts	1,337,680	(20,639,129)
Cash receipts from ratepayers, government and other	1,351,269,551	1,368,451,002
Grants received	253,447,128	275,943,005
Sale of goods and services	1,097,822,423	1,092,507,997
Expenditure for the year	1,650,002,002	1,618,672,245
Adjustment for:-		
Depreciation	58,707,853	57,792,050
Contribution to bad debt provision	192,872,291	161,570,809
Adjusting non cash flow items prior errors	4,212,532	(215,548)
Interest paid	27,789,438	29,018,431
Operating expenditure before working capital changes:	1,366,419,889	1,370,506,503
(Increase)/Decrease in inventories	720,418	231,245
(Decrease)/Increase in creditors	(4,499,926)	5,027,534
(increase)/Decrease in provisions	(19,655,402)	49,665,145
(decrease)/Increase in VAT	10,015,940	60,630
Cash paid to suppliers and employees	1,379,838,858	1,315,521,949
Employee Costs	566,597,417	602,966,171
Suppliers paid	813,241,442	712,555,778
Cash generated by/(utilized in) operations	(28,569,307)	52,929,052
42. NON-CASH INVESTING AND FINANCING TRANSACTIONS		
The municipality did not enter into any Non-cash Investing and Financing Transactions during the financial year under review.		
43. FINANCING FACILITIES		
Unsecured Bank Overdraft Facility payable at call:		
- Amount used	-	-
- Amount unused	-	-

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2017

2017
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2016
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44. LONG-TERM LIABILITIES

Long-term Liabilities (See Note 18)	218,672,802	226,876,321
Long-term Liabilities have been utilised in accordance with section 46 of the Municipal Finance Management Act. See detail information in Appendix A.		

45. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

45.1 Unauthorised Expenditure

To management's best of knowledge the following Unauthorised Expenditure was incurred during the year under review.

	2017 R	2016 R	2015 R
Reconciliation of Unauthorised Expenditure:			
Opening balance	-	-	-
Unauthorised Expenditure current year	-	10,329,679	2,823,634
Approved by Council	-	(10,329,679)	(2,823,634)
Unauthorised Expenditure awaiting authorisation	-	-	-

45.2 Fruitless and Wasteful Expenditure

	2017 R	2016 R
Reconciliation of Fruitless and Wasteful expenditure:		
Opening balance	1,542,706	119,692
Fruitless and Wasteful Expenditure current year	70,141	1,574,360
Written off by Council	(220,141)	(151,345)
Fruitless and Wasteful Expenditure awaiting condonement	1,392,707	1,542,706

Incident	Amount	Causes
SARS penalty fees	1,392,707	Interest and penalties paid to SARS.

45.3 Irregular Expenditure

	2017 R	2016 R	2015 R
Reconciliation of Irregular Expenditure:			
Opening balance	13,448,957	212,719,245	10,097,201
Irregular Expenditure current year	2,795,094	40,404,352	210,916,140
Irregular Expenditure correction	-	27,114,548	1,773,413
Written off by Council or ratified by Accounting Officer	(16,244,051)	(266,789,188)	(10,067,510)
Irregular Expenditure awaiting condonement	-	13,448,957	212,719,245

46. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE

46.1 Contributions to organised local government - SALGA

	2017 R	2016 R
Opening Balance	-	-
Council Subscriptions	6,496,561	6,000,431
Amount Paid - current year	(6,496,561)	(6,000,431)
Balance Unpaid (included in Creditors)	-	-

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2017

	2017 R	2016 R
46. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)		
46.2 Audit Fees		
Opening Balance	-	-
Current year Audit Fee	3,023,231	3,911,274
Amount Paid - current year	(3,023,231)	(3,911,274)
Balance Unpaid (included in Creditors)	-	-
46.3 VAT		
VAT inputs receivables and VAT outputs receivables are shown in Note 8 and 17. All VAT returns have been submitted by the due date throughout the year.		
46.4 PAYE and UIF		
Opening Balance	-	-
Current year Payroll Deductions	88,421,392	75,638,755
Amount Paid - current year	(88,421,392)	(75,638,755)
Balance Unpaid (included in Creditors)	-	-
46.5 Pension and Medical Aid Deductions		
Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	140,121,681	128,821,276
Amount Paid - current year	(140,121,681)	(128,821,276)
Balance Unpaid (included in Creditors)	-	-
46.6 Councillor's arrear Consumer Accounts		
The following Councillors had arrear accounts outstanding for more than 90 days as at:		
30 June 2017	Total	<div>Outstanding up to 90 days</div> <div>Outstanding more than 90 days</div>
Kika SN	120,506	7,138113,368
Thabane MP	22,053	3,89218,161
Doyle MS	115,653	4,704110,949
Francis BP	27,533	2,66224,871
Meintjies M	1,500	-1,500
Niemann E	23,801	4,90718,894
Total Councillor Arrear Consumer Accounts	311,768	24,025287,744

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2017

46. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)

30 June 2016	Total	Outstanding up to 90 days	Outstanding more than 90 days
Askin LA	467	-	467
Bishop MJ	35	-	35
Boqo SG	148	-	148
Doman WP/SE	2,110	1,578	532
Hale GP	1,900	1,543	357
Jabetla AK	22	-	22
Likua A & Frans T	216	209	8
Ludick HP	261	-	261
Matsio FF	39	19	20
Matsio J	103	-	103
Modise OD & E	17	-	17
Morudi GD	538	400	138
Mpampi EZ	1,303	1,026	276
Nthangula A	1,169	-	1,169
O'Neill-Coutts PA	12,483	7,935	4,547
Pitt RA	30,051	1,606	28,445
Louw PJF	453	340	113
Rosen MS	302	-	302
Strauss PAS	3,723	2,252	1,471
Thabane MP	2,426	1,820	606
Tsimakwane SK	99	-	99
Van der Merwe GS	731	-	731
Vilakazi PM	3,702	861	2,840
Visagie GE	64	-	64
Visser MB	811	663	148
Wyngaard H (Settley)	1,286	710	576
Total Councillor Arrear Consumer Accounts	65,402	21,905	43,497

46.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

No known matters existed at the reporting date.

46.8 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager and noted by Council. The Municipality has deviated from the procurement policy, the details of which were reported to council (refer to appendix G).

46.9 Material losses

In terms of section 125(d)(i) of the Municipal Finance Management Act disclosure regarding water losses as a result of various factors for example burst pipes and stand pipes not metered is 50.56%, 15 898 386 kl (2016: 56.39%, 18 752 511 kl) is disclosed to the amount of:

2017 R	2016 R
35,162,509	37,478,402

In terms of section 125(d)(i) of the Municipal Finance Management Act disclosure regarding electricity losses as a result of various factors are 24.54%, 123 614 485 kWh (2016: 19.13% 96 336 526 kWh) is disclosed to the amount of:

103,673,290	74,809,523
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47. COMMITMENTS FOR EXPENDITURE

47.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- **Approved and Contracted for:-**

Infrastructure

67,472,022	45,788,773
67,472,022	45,788,773

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2017

48. FINANCIAL INSTRUMENTS		2017 R	2016 R
48.1 Classification			
FINANCIAL ASSETS:			
In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:			
	<u>Financial Assets</u>	<u>Classification</u>	
Trade receivables from exchange transactions			
Electricity	Amortised cost	56,033,032	43,801,891
Refuse	Amortised cost	25,737,516	19,931,162
Sewerage	Amortised cost	32,578,216	24,907,825
Water	Amortised cost	120,194,595	89,846,924
Miscellaneous	Amortised cost	199,252,536	141,741,426
Market	Amortised cost	304,258	304,544
Housing Debtors	Amortised cost	11,807,587	9,561,306
Trade receivables from non exchange transactions			
Assessment Rates	Amortised cost	558,161,692	472,653,553
Government Subsidy Claims	Amortised cost	58,595,814	47,423,409
Miscellaneous debtors	Amortised cost	5,862,505	7,143,930
Traffic Fines	Amortised cost	5,732,965	4,836,816
Bank, Cash and Cash Equivalents			
Bank	Amortised cost	24,629,446	34,343,040
Call Deposits	Amortised cost	87,950,000	90,950,000
Notice Deposits	Amortised cost	113,965,838	133,965,838
Cash Floats and Advances	Amortised cost	16,120	16,820
Operating Lease Assets			
Operating Lease Assets / Receivables	Amortised cost	-	34,999
		1,300,822,121	1,121,463,484
SUMMARY OF FINANCIAL ASSETS			
Amortised cost			
Short-term Investment Deposits	Notice Deposits	113,965,838	133,965,838
Trade receivables from non-exchange transactions	Assessment Rates	558,161,692	472,653,553
Trade receivables from exchange transactions	Electricity	56,033,032	43,801,891
Trade receivables from exchange transactions	Refuse	25,737,516	19,931,162
Trade receivables from exchange transactions	Sewerage	32,578,216	24,907,825
Trade receivables from exchange transactions	Water	120,194,595	89,846,924
Trade receivables from exchange transactions	Miscellaneous	199,252,536	141,741,426
Trade receivables from exchange transactions	Market	304,258	304,544
Trade receivables from exchange transactions	Housing Debtors	11,807,587	9,561,306
Trade receivables from non-exchange transactions	Government Subsidy Claims	58,595,814	47,423,409
Trade receivables from non-exchange transactions	Miscellaneous debtors	5,862,505	7,143,930
Trade receivables from non-exchange transactions	Traffic Fines	5,732,965	4,836,816
Operating Lease Assets	Operating Lease Assets / Receivables	-	34,999
Bank Balances and Cash	Cash Floats and Advances	24,645,566	34,359,860
Short-term Investment Deposits	Call Deposits	87,950,000	90,950,000
Total Financial Assets		1,300,822,121	1,121,463,484
FINANCIAL LIABILITIES:			
In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:			
	<u>Financial Liabilities</u>	<u>Classification</u>	
Long-term Liabilities			
Annuity Loans	Amortised cost	210,434,634	218,675,316
Consumer Deposits			
Electricity and Water	Amortised cost	26,182,008	24,966,967
Creditors			
Trade Creditors	Amortised cost	95,338,281	102,525,669
Other Creditors	Amortised cost	1,256,734	-
Payments received in Advance	Amortised cost	16,414,735	16,392,940
Staff Bonuses	Amortised cost	10,270,236	9,911,283
Accrued leave	Amortised cost	33,492,342	32,442,363
Unspent Conditional Grants and Receipts			
Conditional Grants from Government	Amortised cost	12,349,709	11,012,029
Current Portion of Long-term Liabilities			
Annuity Loans	Amortised cost	8,238,168	8,201,006
		413,976,847	424,127,572
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Annuity Loans	210,434,634	218,675,316
Consumer Deposits	Electricity and Water	26,182,008	24,966,967
Payables from exchange transactions	Trade Creditors	95,338,281	102,525,669
Payables from exchange transactions	Other Creditors	1,256,734	-
Unspent Conditional Grants and Receipts	Conditional Grants from Government	12,349,709	11,012,029
Current Portion of Long-term Liabilities	Annuity Loans	8,238,168	8,201,006
Payables from exchange transactions	Payments received in Advance	16,414,735	16,392,940
Payables from exchange transactions	Staff Bonuses	10,270,236	9,911,283
Payables from exchange transactions	Accrued leave	33,492,342	32,442,363
Total Financial Liabilities		413,976,847	424,127,572

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2017

48. FINANCIAL INSTRUMENTS (Continued)

48.2 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 18, Bank, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 6 and the Statement of Changes in Net Assets.

Gearing Ratio

The gearing ratio at the year-end was as follows:

	2017 R	2016 R
Net Debt	413,976,847	424,127,572
Equity	<u>2,334,731,702</u>	<u>2,079,757,577</u>

Net debt to equity ratio	17.73%	20.39%
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Debt is defined as Long term Liabilities, as detailed in the notes.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Position.

48.3 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the Municipality's risk management framework. The Municipality's risk management policies are established to identify and analyse the risks faced by the Municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes. Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function. Further quantitative disclosures are included throughout these financial statements.

48.4 Significant Accounting Policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of Financial Asset and Financial Liability are disclosed in the Accounting Policies to the Annual Financial Statements.

48.5 Liquidity Risk

Liquidity risk is the risk that the Municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Municipality's reputation.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

48.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 48.6 below). No formal policy exists to hedge volatilities in the interest rate market. There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

48.6.1 Foreign Currency Risk Management

The municipality has very limited exposure to the financial risks of foreign currency.

48.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, trade receivables, cash and cash equivalents, and loan payables.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2017

2017
R

2016
R

48. FINANCIAL INSTRUMENTS (Continued)

Interest Rate Sensitivity Analysis

The sensitivity analysis below was determined based on the exposure to interest rates at the reporting date. For variable rate long-term instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates.

SENSITIVITY ANALYSIS - INTEREST RATE

Effect of a change in interest rate on interest bearing financial assets and liabilities

<u>Financial Assets</u>	<u>Classification</u>		
<u>External investments:</u>			
Call Deposits	Amortised cost	87,950,000	90,950,000
Notice Deposits	Amortised cost	113,965,838	133,965,838
		201,915,838	224,915,838
<u>Interest received</u>			
Interest Earned - External Investments		21,576,378	20,995,888
Interest rate		11%	9%

Effect of a change in interest rate on interest earned from external investments:

Effect of change in interest rate	%	10%	8%
Effect of change in interest rate	Rand value	19,557,219	18,746,730
Effect of change in interest rate	%	12%	10%
Effect of change in interest rate	Rand value	23,595,536	23,245,046

Outstanding debtors:

Trade receivables from exchange transactions	Amortised cost	445,907,740	330,095,078
Trade receivables from non-exchange transactions	Amortised cost	622,620,012	527,255,891
		1,068,527,752	857,350,970

<u>Interest received</u>			
Interest Earned - Outstanding Debtors		130,078,100	101,386,838
Interest rate		12%	12%

Effect of a change in interest rate on interest earned from outstanding debtors

Effect of change in interest rate	%	11%	11%
Effect of change in interest rate	Rand value	119,392,823	92,813,328
Effect of change in interest rate	%	13%	13%
Effect of change in interest rate	Rand value	140,763,378	109,960,348

Financial Liabilities

<u>Long-term Liabilities</u>	<u>Classification</u>		
Annuity Loans	Amortised cost	210,434,634	218,675,316
Annuity Loans - current portion	Amortised cost	8,238,168	8,201,006
		218,672,802	226,876,321

<u>Interest paid</u>			
Long-term Liabilities		27,789,438	29,018,431
Interest rate %		13%	13%

Effect of a change in interest rate on interest paid on long-term liabilities

Effect of change in interest rate	%	12%	12%
Effect of change in interest rate	Rand value	25,602,710	26,749,668
Effect of change in interest rate	%	14%	14%
Effect of change in interest rate	Rand value	29,976,166	31,287,194

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2017

48. FINANCIAL INSTRUMENTS (Continued)

48.7 Effective Interest Rates and Repricing Analysis

In accordance with GRAP 104.116 the following tables indicate the average effective interest rates of Income-earning Financial Assets and Interest-bearing Financial Liabilities at the reporting date and the periods in which they mature or, if earlier, reprice:

30 June 2017

Description	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	%	R	R	R	R	R	R
FIXED RATE INSTRUMENTS							
Bank Facilities		218,672,802	-	-	-	4,218,018	214,454,784
Loan No 101452 : DBSA	10.91%	4,218,018				4,218,018	
Loan No 102855/1 : DBSA	12.61%	14,985,546					14,985,546
Loan No 102855/3 : DBSA	6.75%	2,664,886					2,664,886
Loan No 103958/2 : DBSA	12.445%	196,804,352					196,804,352
Total Fixed Rate Instruments		218,672,802	-	-	-	4,218,018	214,454,784
VARIABLE RATE INSTRUMENTS							
Short-term Investment Deposits		201,915,838	87,950,000	113,965,838			
Bank Balances and Cash		16,120	16,120				
Housing guarantees		13,994					13,994
Total Variable Rate Instruments		201,945,952	87,966,120	113,965,838	-	-	13,994

30 June 2016

Description	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	%	R	R	R	R	R	R
FIXED RATE INSTRUMENTS							
Bank Facilities		226,876,321	-	864,007	-	5,615,367	220,396,947
Loan No 10616 : DBSA	12.00%	864,007		864,007			
Loan No 101452 : DBSA	10.91%	5,615,367				5,615,367	
Loan No 102855/1 : DBSA	12.61%	15,545,480					15,545,480
Loan No 102855/3 : DBSA	6.75%	2,982,086					2,982,086
Loan No 103958/2 : DBSA	12.445%	201,869,382					201,869,382
Total Fixed Rate Instruments		226,876,321	-	864,007	-	5,615,367	220,396,947
VARIABLE RATE INSTRUMENTS							
Short-term Investment Deposits		224,915,838	90,950,000	133,965,838			
Bank Balances and Cash		16,820	16,820				
Housing guarantees		13,994					13,994
Total Variable Rate Instruments		224,946,652	90,966,820	133,965,838	-	-	13,994

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2017

48.8 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

48.9 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows. Included in the note is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts. The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

30 June 2017

Description	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	%	R	R	R	R	R	R
Non-interest Bearing							
- Consumer Deposits		26,182,008					26,182,008
- Creditors		156,772,329	156,772,329				
- Unspent Conditional Grants		12,349,709		12,349,709			
Fixed Interest Rate Instruments							
Loan No 101452 : DBSA	10.91%	4,935,254	987,050	987,050	1,974,100	987,054	
Loan No 102855/1 : DBSA	12.61%	28,806,253	1,252,446	1,252,446	2,504,892	7,514,675	16,281,795
Loan No 102855/3 : DBSA	6.75%	4,107,399	256,712	256,712	513,425	1,540,275	1,540,275
Loan No 103958/2 : DBSA	12.45%	420,408,996	15,014,607	15,014,607	30,029,214	90,087,642	270,262,926
Total		653,561,947	174,283,144	29,860,524	35,021,630	100,129,645	314,267,004

30 June 2016

Description	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	%	R	R	R	R	R	R
Non-interest Bearing							
- Consumer Deposits		24,966,967					24,966,967
- Creditors		161,272,255	161,272,255				
- Unspent Conditional Grants		11,012,029		11,012,029			
Fixed Interest Rate Instruments							
Loan No 10616 : DBSA	12.00%	943,148	471,574	471,574			
Loan No 101452 : DBSA	10.91%	6,909,352	987,050	987,050	1,974,100	2,961,152	
Loan No 102855/1 : DBSA	12.61%	31,311,144	1,252,446	1,252,446	2,504,892	7,514,675	18,786,687
Loan No 102855/3 : DBSA	6.75%	5,134,249	256,712	256,712	513,425	1,540,275	2,567,125
Loan No 103958/2 : DBSA	12.45%	450,438,210	15,014,607	15,014,607	30,029,214	90,087,642	300,292,140
Total		691,987,354	179,254,644	28,994,418	35,021,630	102,103,743	346,612,918

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2017

48. FINANCIAL INSTRUMENTS (Continued)

48.10 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy.

Trade Receivables consist of a large number of customers, spread across diverse industries in the geographical area of the municipality. Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas within the jurisdiction of the municipality. On going credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment. In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The Municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counter parties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists.

Counterparty and Location	30 June 2017 Gross Amount R	30 June 2016 Gross Amount R
Department of Public Works	465,849,624	266,537,997
Kimberley Cold Storage PTY	23,336,042	10,652,495
GW Rugby Union	9,057,656	7,887,099
Wide Dimension Trading 7 BK	7,226,601	-
Department of Roads	-	9,431,809
De Beers Consolidated Mines	48,232,695	32,253,914

Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:	2017 R	2016 R
Fixed Deposit Investments	201,915,838	224,915,838
Finance Lease Receivables	2,543,280	1,758,396
Consumer Debtors	445,907,740	330,095,078
Other Debtors	628,352,977	532,057,708
Bank, Cash and Cash Equivalents	16,120	16,820
Operating Lease Assets	-	34,999
Housing Guarantees	13,994	13,994
Maximum Credit and Interest Risk Exposure	1,278,749,949	1,088,892,833

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2017

48. FINANCIAL INSTRUMENTS (Continued)

The major concentrations of credit risk that arise from the Municipality's receivables in relation to customer classification are as follows:

The maximum credit and interest risk exposure in respect of the relevant customer classification is as follows:	2017 R	2016 R
Households	551,995,324	452,474,674
Industrial/commercial	142,921,359	106,659,055
National and provincial government	294,025,365	235,508,146
Maximum Consumer Risk Exposure	988,942,048	794,641,875

49. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

All participating councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

The Municipal Councillors Fund and the Cape Retirement Fund are defined contribution plans, whereas the other funds are defined benefit plans. All of these afore-mentioned funds are multi-employer plans. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These following contributions have been expensed:

51,000,500 44,069,507

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

None of the below mentioned Funds are State Plans.

Municipal Councillors Pension Fund:

The actuarial valuator of the Pension Fund for councillors stated that the Fund has a funding level of 99.5% as at 30 June 2012 and is therefor technically not financially sound. They regard the deficit of R6.4m as relatively insignificant in the context of the Fund and there a possible reverse of SARS penalties of R10.3m that will result in the Fund being fully funded.

LA Retirement Fund/Cape Joint Pension Fund:

The statutory valuation performed as at 30 June 2016 revealed a funding level of 103.5% for the Pensioner Account, the Defined Contribution Section was 100% and the Defined Benefits Section 106.1% funded.

Cape Retirement Fund:

The valuator stated that Cape Retirement Fund is in a sound financial condition as at 30 June 2015.

The Cape Retirement Fund operates as a defined contribution scheme. The last actuarial valuation performed for the year ended 30 June 2016 revealed that the fund has a funding level of 100%(30 June 2015: 100%) for the Preservation Pensions account and 118%(30 June 2015: 112.1%) for the Pension Account. The contribution rate paid by the members (9%) and Municipalities (18%) is sufficient to fund the benefits accruing from the fund in the future.

SALA Pension Fund:

At the valuation date of 1 July 2015 the SALA pension fund was 100% (1 July 2014: 100%) funded. The valuator indicated that the decrease in the solvency reserve was a change to the methods used to calculate the liabilities. The Fund therefore remained financially sound since the previous valuation.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2017

49. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION (Continued)

Municipal Employees Pension Fund:

At the valuation date of 28 February 2011 the Municipal Employees Pension Fund was 107.9% (29 February 2009: 102.2%) funded. The valuator stated that the fund was in a sound position as at 29 February 2011, having sufficient assets to cover its obligations.

National Fund for Municipal Workers:

At the valuation date of 30 June 2015 the National Fund for Municipal Workers the Valuator stated that the assets of the fund available for benefits are sufficient to cover 100.42% of the members' liabilities and the fund was hence financially sound.

South African Municipal Workers Union National Provident Fund:

The SAMWUN Provident Fund operates as a defined contribution fund. At the last valuation date of 30 June 2014 the Fund was 111.7% funded. The valuator recommended that to retain a sound financial position, the members and employer continue to contribute at the current rate.

50. RELATED PARTY TRANSACTIONS

50.1 Interest of Related Parties

Councillors and/or management of the municipality have relationships with businesses.

50.2 Services rendered to Related Parties

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

50.3 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004.

50.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 29 and 30 respectively, to the Annual Financial Statements.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2017

50. RELATED PARTY TRANSACTIONS (Continued)

2017
R **2016**
R

50.5 Purchases from Related Parties

The municipality bought goods from the following companies, which are considered to be Related Parties: all these were declared in the Municipal Bidding Documents.

Name Supplier	Related Person	Municipal Capacity	Purchases for the year	Purchases for the year
MCD Painters	K Mcdonalds	Admin assistant	-	29,375
Qongo TG Trading	Mother	Nursing Sister	787,954	42,033
Naledi Chemicals	D De Haast	Department of Education	159,988	238,201
ASAP 1179 Trd as Meago Services	S Paulse	Librarian	142,568	60,649
Moedi Consulting Engineers	C Abrams	Dr Kenneth Kaunda D Municipality	372,028	6,942,273
J&B Communication	A Abbott	Working at IT	617,868	199,203
JS Medical & Surgical Suppliers	H Williams	Kimberley Hospital	139,916	150,746
Panprop CC T/A Valudata	AJ De Klerk	Principal Clerk Properties	194,158	35,100
SMEC South Africa	MN Phosa	Spouse is MEC in Mpumalanga	1,439,952	1,196,775
BEA Productions (PTY)LTD	EM Kock	SAPS Roodepan	48,396	-
Elektro Vroomen	J Modise	NERSA	522,062	688,315
Total Purchases			4,424,890	9,582,670

51. CONTINGENT LIABILITIES

51.1 Guarantees:

The municipality pledged the following amounts as guarantee for employees' housing bonds:

13,994 **13,994**

The validity of these bonds in terms of the original conditions at which they were issued could not be verified with the respective banks. The banks have misplaced the guarantee documents and have exonerated the municipality from such liability. For instances where bank confirmation could not be obtained, a possible liability exists.

51.2 Court Proceedings:

51.2.1 High Court matters	71,879,474	83,646,475
Various claims and litigation is in process.		
51.2.2 Litigation and claims in process	8,450,684	5,470,372
Various claims and litigation is in process.		
51.2.3 Labour matters (SALGBC)	325,000	370,000
Various cases involving Council.		
51.2.4 Magistrate court matters	147,456	107,457
Various cases involving Council.		
	80,802,613	89,594,304

All the above cases are being defended. The timing of any cash outflow is uncertain.

51.3 Other liabilities:

51.3.1 Various cases: The municipality has implemented task grading system as a system of remuneration for all employees. However, as at 30 June 2017, the implementation of task outcomes on employees revaluated were not finalised as yet. Management is certain that this will result in a cash outflow which is unknown at the time of submitting the financials.

51.3.2 Other cases: Various claims between employees and Council is in process.

52. CONTINGENT ASSETS

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2017

53. IN-KIND DONATIONS AND ASSISTANCE

The municipality received no in-kind donations and assistance during the year under review.

54. COMPARISON WITH THE BUDGET

The comparison of the municipality's actual financial performance against that budget, is set out in Appendices "E(1), E(2) and E(3)". Budget and actual figures are presented on a comparable basis (accrual basis of accounting).

55. PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the 2016/17 financial year.

56. EVENTS AFTER THE REPORTING DATE

Management have not identified any matter or circumstance (adjusting or non-adjusting) since the end of the financial year, that has significantly affected, or may significantly affect, the operations, the results of those operations, or the state of affairs of the municipality in future financial years.

57. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 39).

58. DISCONTINUED OPERATIONS

No operations have been discontinued.

59. STANDARDS AND INTERPRETATIONS APPROVED NOT YET EFFECTIVE

At the date of authorisation of these Annual Financial Statements the municipality has not applied the following GRAP standards that have been approved, but are not yet effective:

GRAP 32 Service Concession arrangements: Grantor
GRAP 34 Separate Financial Statements
GRAP 35 Consolidated Financial Statements
GRAP 36 Investments in Associates and Joint Ventures
GRAP 37 Joint Arrangements
GRAP 38 Disclosure of interests in Other Entities
GRAP 108 Statutory receivables
GRAP 109 Accounting by Principals and Agents
GRAP 110 Living and Non-living Resources

Application of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

Management has considered all the GRAP standards issued but not yet effective and in preliminary indications management anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

APPENDIX A (UNAUDITED)
SOL PLAATJE LOCAL MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2017

EXTERNAL LOANS	Loan Number	Redeemable Date	Balance at 30/06/16	Received during the period	Redeemed written off during the period	Balance at 30/06/17	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
LONG TERM LIABILITIES			R	R	R	R	R	R
ANNUITY LOANS								
DBSA Loan @ 12%	10616	30-06-2017	864,007		864,007	-	219,887,790	
DBSA Loan @ 10.91%	101452	31-12-2019	5,615,367		1,397,349	4,218,018		
DBSA Loan @ 12.61%	102855/1	31-12-2028	15,545,480		559,934	14,985,546		
DBSA Loan @ 6.75%	102855/3	31-12-2023	2,982,086		317,200	2,664,886		
DBSA Loan @ 12.445%	103958/2	30-06-2031	201,869,382		5,065,030	196,804,352		
Sub total DBSA			226,876,321	-	8,203,519	218,672,802		
Total Annuity loans			226,876,321	-	8,203,519	218,672,802	219,887,790	-
TOTAL EXTERNAL LOANS			226,876,321	-	8,203,519	218,672,802	219,887,790	-

APPENDIX B (UNAUDITED)
SOL PLAATJE LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2017

	Cost/Revaluation								Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Work in Progress Additions	Disposals/ Impairment	Work in Progress (WIP)			Closing Balance	Opening Balance	Additions	Disposals/ Impairment	Closing Balance	
					Opening Balance	Commissioned	Closing Balance						
Infrastructure													
Electricity	297,310,303	11,144,132		262,117	28,375,932	28,375,932	-	308,716,551	94,934,080	6,763,497	(254,723)	101,442,855	207,273,697
Roads, Pavements and Storm water	453,978,217		24,979,785	(14,061)	22,488,244	2,283,496	45,184,533	478,943,942	145,251,532	13,033,647	(14,061)	158,271,118	320,672,824
Sewerage	423,594,594	16,560,143		(574,888)	173,582,626	173,582,626	-	439,579,850	61,923,910	6,599,659	178,464	68,702,033	370,877,817
Street Lights	21,804,448				1,483,919	1,483,919	-	21,804,448	9,732,969			9,732,969	12,071,480
Landfill Site	27,624,298	(876,346)						26,747,952	11,854,121	1,752,242		13,606,363	13,141,590
Landfill Site Improvements	9,906,458	13,086,367			9,906,458	9,906,458	-	22,992,825	0			-	22,992,825
Water	277,561,271	18,829,508		(231,600)	48,015,117	3,265,723	44,749,394	296,159,179	114,364,569	4,011,447	3,130,472	121,506,489	174,652,690
	1,511,779,590	58,743,805	24,979,785	(558,432)	283,852,296	218,898,154	89,933,928	1,594,944,748	438,061,181	32,160,492	3,040,154	473,261,826	1,121,682,922
Community Assets													
Owned Buildings	289,581,526	24,416,166			6,355,409	5,219,567	1,135,842	313,997,692	56,878,418	7,505,831		64,384,249	249,613,443
Land	54,930,438						-	54,930,438				-	54,930,438
	344,511,964	24,416,166	-	-	6,355,409	5,219,567	1,135,842	368,928,130	56,878,418	7,505,831	-	64,384,248.63	304,543,881
Heritage Assets													
Heritage Assets	7,863,705				1,846,350		1,846,350	7,863,705				-	7,863,705
	7,863,705	-	-	-	1,846,350	-	1,846,350	7,863,705	-	-	-	-	7,863,705
Other Assets													
Computer Equipment	16,072,337	2,761,633		(85,126)				18,748,844	8,915,830	2,317,310		11,233,140	7,515,704
Furniture and Equipment	21,046,217	769,007						21,815,224	14,943,764	1,680,676		16,624,440	5,190,784
Other Machinery and Equipment	13,296,797	1,115,941						14,412,738	8,269,786	1,505,438		9,775,223	4,637,515
Motor Vehicles	93,251,193	4,538,767		(386,963)				97,402,998	48,802,764	8,481,126		57,283,890	40,119,107
Assets Held for Sale	141,858			(141,858)				-				-	-
	143,808,402	9,185,349	-	(613,946)	-	-	-	152,379,804	80,932,144	13,984,550	-	94,916,694	57,463,110
Total	2,007,963,660	92,345,319	24,979,785	(1,172,378)	292,054,056	224,117,721	92,916,120	2,124,116,387	575,871,743	53,650,872	3,040,154	632,562,769	1,491,553,618

APPENDIX C (UNAUDITED)

SOL PLAATJE LOCAL MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2017

Directorate	Cost							Accumulated Depreciation				Carrying Value	
	Opening Balance	Additions	Work in Progress Additions	Disposals	Work in Progress (WIP)			Closing Balance	Opening Balance	Additions	Disposals		Closing Balance
					Opening Balance	Commissioned	Closing Balance						
Executive and Council	1,657,282	1,910,723						3,568,005	402,106	339,500		741,606	2,826,400
Municipal General	3,001,519	22,554						3,024,073	650,410	608,325		1,258,735	1,765,338
Municipal Manager	2,003,034	102,945						2,105,979	449,792	375,800		825,592	1,280,387
Corporate Services	32,643,849	4,082,959						36,726,808	4,923,644	3,970,458		8,894,102	27,832,706
Community Services	314,648,100	24,416,166			8,201,760	5,219,567	2,982,193	339,064,266	66,005,783	7,505,831		73,511,614	265,552,652
Financial Services	17,402,228	298,736						17,700,964	3,609,869	3,400,190		7,010,059	10,690,906
Strategic and Economic Development	37,345,642	503,593						37,849,235	6,144,652	4,729,776		10,874,428	26,974,806
Infrastructure and Services	1,599,262,006	61,007,644	24,979,785	(1,172,378)	283,852,296	218,898,154	89,933,927	1,684,077,056	493,685,486	32,720,992	3,040,154	529,446,632	1,154,630,424
TOTAL	2,007,963,660	92,345,319	24,979,785	(1,172,378)	292,054,056	224,117,721	92,916,120	2,124,116,387	575,871,743	53,650,872	3,040,154	632,562,769	1,491,553,618

APPENDIX D (UNAUDITED)
SOL PLAATJE LOCAL MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
30 JUNE 2017

	2017 Original Budget	2017 Adjustment	2017 Final Budget	2017 Variance Original vs Final Budget %	2017 Explanation of variances greater than 10% Original versus Final Budget	2017 Actual Income & Expenditure R	2017 Variance Actual vs Final Budget R	2017 Variance Actual vs Final Budget %	2017 Explanation of significant variances greater than 10% Actual versus Final Budget
	R	R	R			R	R		
Income per directorate									
Executive and Council	–	–	–			–	–		
Municipal General	324,037,302	68,670,828	392,708,130	21%	Increases on: grant funding and interest received.	400,430,342	7,722,212	2%	
Municipal Manager	2,119,698	–	2,119,698	0%		–	(2,119,698)	-100%	Income not realising.
Corporate Services	6,628,400	506	7,134,601	8%		5,357,565	(1,777,036)	-25%	Grant income not realising.
Community Services	95,608,621	(3,911)	91,697,621	-4%		89,884,184	(1,813,437)	-2%	Income fines not realising.
Financial Services	501,836,261	(17,000)	484,836,261	-3%		472,722,629	(12,113,632)	-2%	
Strategic and Economic Development	8,699,400	(700)	7,999,400	-8%		6,639,909	(1,359,491)	-17%	Income building plans not realising.
Infrastructure and Services	1,042,186,160	(25,000,000)	1,017,186,160	-2%		929,941,498	(87,244,662)	-9%	Free Basic Services(FBS) moved from General
Total	1,981,115,842	22,566,029	2,003,681,871	1%		1,904,976,127	(98,705,744)	-5%	
Expenditure per directorate									
Executive and Council	42,617,868	3,011,755	45,629,623	7%		43,421,647	(2,207,977)	-5%	
Municipal General	350,365,252	5,800,000	356,165,252	2%		234,986,603	(121,178,649)	-34%	As a result of actuarial gain.
Municipal Manager	21,055,703	2,000,000	23,055,703	9%		16,855,322	(6,200,381)	-27%	Saving on vacancies not filled.
Corporate Services	60,197,792	506,201	60,703,993	1%		51,493,212	(9,210,781)	-15%	Saving on vacancies not filled.
Community Services	240,984,247	1,269,000	242,253,247	1%		220,257,333	(21,995,914)	-9%	
Financial Services	121,255,360	–	121,255,360	0%		106,378,965	(14,876,394)	-12%	Saving on vacancies not filled.
Strategic and Economic Development	52,534,187	250,000	52,784,187	0%		49,208,961	(3,575,226)	-7%	
Infrastructure and Services	1,002,333,242	16,500,000	1,018,833,242	2%		927,399,959	(91,433,284)	-9%	FBS moved from General Expenditure to Income.
Total	1,891,343,651	29,336,956	1,920,680,607	2%		1,650,002,002	(270,678,605)	-14%	Due to the savings in general expenditure and repairs and maintenance cost.
Surplus/(Deficit)	89,772,191	(6,770,927)	83,001,264	-8%	Increase on grant funding for capital.	254,974,125	171,972,861	207%	Due to the savings in expenditure .

APPENDIX E(1) (AUDITED)

SOL PLAATJE LOCAL MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2017

	2017 Actual	2017 Original Budget	2017 Adjustment	2017 Final Budget	2017 Variance Original vs Final Budget %	2017 Explanation of variances greater than 10% Original versus Final Budget	2017 Variance Actual vs Final Budget R	2017 Variance Actual vs Final Budget %	2017 Explanation of significant variances greater than 10% Actual versus Final Budget
	R	R	R	R					
REVENUE									
Property Rates	468,496,818	486,708,261	(17,000,000)	469,708,261	-3%		(1,211,443)	0%	
Service Charges	963,044,889	1,087,887,246	(25,000,000)	1,062,887,246	-2%		(99,842,357)	-9%	Free Basic Services(FBS) moved from General Expenditure.
Rental of Facilities and Equipment	10,024,738	10,690,000	-	10,690,000	0%		(665,262)	-6%	
Interest Earned - External Investments	21,576,378	19,000,000	1,000,000	20,000,000	5%		1,576,378	8%	Due to increase in interest rates.
Interest Earned - Outstanding Debtors	130,078,100	70,000,000	50,000,000	120,000,000	71%	Due to increases in debtors and interest rate.	10,078,100	8%	Due to increases in debtors and interest rate.
Fines	19,915,146	16,880,000	3,780,000	20,660,000	22%	Due to GRAP implementation.	(744,854)	-4%	
Licenses and Permits	2,801,133	3,270,000	-	3,270,000	0%		(468,867)	-14%	Due to income not realising.
Income for Agency Services	6,975,018	6,280,000	(1,480,000)	4,800,000	-24%	Budget adjusted to provide for loss of income.	2,175,018	45%	Agency services extended to end of Financial year.
Government Grants and Subsidies	253,447,128	247,461,000	19,446,029	266,907,029	8%	Due to capital projects being rolled over.	(13,459,901)	-5%	Due to capital projects to be rolled over.
Public Contributions and Donations	0	-	-	-	0%		-	0%	Not budgeted.
Other Income	25,958,133	32,939,335	(8,180,000)	24,759,335	-25%	Reallocations as result of mSCOA implementation.	1,198,798	5%	
Gains on disposal of property, plant and equipment	2,658,646	-	-	-	0%		2,658,646	0%	Not budgeted.
Total Revenue	1,904,976,127	1,981,115,842	22,566,029	2,003,681,871	1%		(98,705,744)	-5%	Free Basic Services(FBS) moved from General Expenditure.
EXPENDITURE									
Employee Related Costs	566,597,417	644,340,070	-	644,340,070	0%		(77,742,653)	-12%	Due actuarial gain.
Remuneration of Councillors	25,011,009	23,312,308	2,631,755	25,944,063	11%	Due to grading adjustment.	(933,054)	-4%	
Impairment Losses	190,194,771	190,500,000	-	190,500,000	0%		(305,229)	0%	
Depreciation	58,707,853	55,650,000	4,967,000	60,617,000	9%		(1,909,148)	-3%	
Finance Costs	27,789,438	27,757,073	33,000	27,790,073	0%		(635)	0%	
Bulk Purchases	491,966,152	506,500,000	6,000,000	512,500,000	1%		(20,533,848)	-4%	
Contracted services	42,170,495	34,362,888	10,000,000	44,362,888	29%	Reallocations as result of mSCOA implementation.	(2,192,393)	-5%	
Grants and Subsidies Paid	7,984,007	61,510,000	1,080,000	62,590,000	2%		(54,605,993)	-87%	Due to revision in policy and verification process of indigents.
General Expenses - Other	236,018,880	347,256,312	4,625,201	351,881,513	1%		(115,862,633)	-33%	Due to savings and FBS moved to Service Charges.
Losses on Inventory	69,293	155,000	-	155,000	0%		(85,707)	-55%	Due to savings.
Foreign Exchange Loss	183,750	-	-	-	0%		183,750	0%	Due to devaluating of the Rand.
Total Expenditure	1,650,002,002	1,891,343,651	29,336,956	1,920,680,607	2%		(270,678,605)	-14%	Due to the savings in general expenditure, employee costs and repairs and maintenance cost.
NET SURPLUS FOR THE YEAR	254,974,125	89,772,191	(6,770,927)	83,001,264	-8%		171,972,861	207%	Due to the savings in expenditure .

APPENDIX E(2) (AUDITED)

SOL PLAATJE LOCAL MUNICIPALITY: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2017

Directorate	2017 Actual Additions	2017 Work in Progress Additions	2017 Total Additions	2017 Original Budget	2017 Adjustment	2017 Final Budget	2017 Variance Original vs Final Budget %	2017 Explanation of variances greater than 10% Original versus Final Budget	2017 Variance Actual vs Final Budget R	2017 Variance Actual vs Final Budget %	2017 Explanation of significant variances greater than 10% Actual versus Final Budget
	R	R	R	R	R	R					
Executive and Council	1,910,723	-	1,910,723	-	-	-			1,910,723		Loose equipment reallocation.
Municipal General	22,554	-	22,554	3,000,000	10,154,000	13,154,000	338%	Loose equipment budget and additional projects.	(13,131,446)	-100%	Project not realising.
Municipal Manager	102,945	-	102,945	-	-	-			102,945		Loose equipment reallocation.
Corporate Services	4,082,959	-	4,082,959	-	-	-			4,082,959		Loose equipment reallocation.
Community Services	24,416,166	-	24,416,166	9,894,000	(5,491,000)	4,403,000	-55%	Budget reduced.	20,013,166	455%	Landfill project budget moved to Infrastructure.
Financial Services	298,736	-	298,736	5,000,000	-	5,000,000	0%		(4,701,264)	-94%	Intangible assets reallocated.
Strategic and Economic Development	503,593	-	503,593	13,732,000	18,531,000	32,263,000	135%	Add additional projects and rolled over projects.	(31,759,407)	-98%	Links project budget moved to Infrastructure.
Infrastructure and Services	61,007,644	24,979,785	85,987,429	93,578,000	493,839	94,071,839	1%		(8,084,410)	-9%	Non qualifying assets expenditure and VAT income on grants transferred to operational budget. Projects not being completed.
TOTAL	92,345,319	24,979,785	117,325,105	125,204,000	23,687,839	148,891,839	19%	Add additional projects and rolled over projects.	(31,566,734)	-21%	Non qualifying assets expenditure and VAT income on grants transferred to operational budget. Projects not being completed.

APPENDIX E(3) (AUDITED)
SOL PLAATJE LOCAL MUNICIPALITY: ACTUAL VERSUS BUDGET (CASH FLOW) FOR THE YEAR ENDED 30 JUNE 2017

	2017 Actual	2017 Original Budget	2017 Adjustment	2017 Final Budget	2017 Variance Original vs Final Budget %	2017 Explanation of variances greater than 10% Original versus Final Budget	2017 Variance Actual vs Final Budget R	2017 Variance Actual vs Final Budget %	2017 Explanation of variances greater than 10% Actual versus Final Budget
	R	R	R	R					
CASH FLOWS FROM OPERATING ACTIVITIES									
Cash receipts from Ratepayers, Government and Other	1,351,269,551	1,727,821,000	(93,674,319)	1,634,146,681	-6%	Due to adjusting income, grants and service charges.	(282,877,130)	-17%	Due to increase of debtors
Cash paid to Suppliers and Employees	1,379,838,858	1,562,436,000	1,080,000	1,563,516,000	0%		(183,677,142)	-12%	Saving on expenditure
Cash generated from / (utilised in) Operations	(28,569,307)	165,385,000	(94,754,319)	70,630,681					
Interest received	151,654,478	36,500,000	83,500,000	120,000,000	70%	Due to increase in investments and interest on debtors.	31,654,478	26%	Investment income increased above expectations.
Interest paid	(27,789,438)	(27,757,074)	-	(27,757,074)	0%		(32,364)	0%	
NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES	95,295,733	174,127,926	(11,254,319)	162,873,607					
CASH FLOWS FROM INVESTING ACTIVITIES									
Purchase of Property, Plant and Equipment	(117,325,105)	(125,204,158)	(24,660,681)	(149,864,839)	16%	Projects not completed before year end and new projects added.	32,539,734	-22%	Projects not completed before year end.
Purchase of Intangible Assets	(2,366,004)						(2,366,004)		Project re-categorised.
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES	(119,806,508)	(125,204,158)	(24,660,681)	(149,864,839)					
CASH FLOWS FROM FINANCING ACTIVITIES									
Loans repaid	(8,203,519)	(8,246,768)	-	(8,246,768)	0%		43,249	-1%	
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES	(8,203,519)	(8,246,768)	-	(8,246,768)					
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(32,714,295)	40,677,000	(35,915,000)	4,762,000					
Cash and Cash Equivalents at the beginning of the year	259,275,698	223,360,000	35,915,000	259,275,000					
Cash and Cash Equivalents at the end of the year	226,561,404	264,037,000	-	264,037,000					

APPENDIX F (UNAUDITED)
SOL PLAATJE LOCAL MUNICIPALITY
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT

Grants and Subsidies received for the year ended 30 June 2017

Name of Grants	Name of organ of state or municipal entity	Total Receipts for the Year	Total Expenditure for the Year	Delay \ withheld	Gazette amount Municipal year	Reason for delay/ withholding of funds	Did the municipality comply with the grant conditions in terms of grant framework in the	Reason for non-compliance
		Total	Total	Total	Total		Yes / No	
Library Services	Provincial	8,006,000	8,006,000	-	8,006,000	None	Yes	None
Primary Health	Provincial	-	-	-	-	No payment received. Debtor outstanding is R5 395 666.	Yes	None
EPWP	Provincial	5,574,000	5,574,000	-	5,574,000	None	Yes	None
Miscellaneous	Public	170,342	170,342	-	N/A	None	Yes	None
Equitable Share	National	144,171,000	N/A	-	144,171,000	None	Yes	None
ACIP	National	3,000,000	3,000,000	-	N/A	None	Yes	None
Financial Management Grant	National	1,625,000	1,625,000	-	1,625,000	None	Yes	None
MIG	National	37,079,000	37,079,000	-	37,079,000	None	Yes	None
MSIG	National	0	0	-	1,300,000	None	Yes	None
INEP	National	7,400,000	7,400,000	-	7,400,000	None	Yes	None
ISDG (Skills)	National	3,700,000	1,562,320	-	3,700,000	None	Yes	None
Frances Baard Municipality	Municipality	7,815,794	7,815,794	-	N/A	None.	N/A	None
Coghsta	Provincial	-	-	-	N/A	None. Debtor outstanding is R34 880 068.	Yes	None
GURP	Provincial		5,106,187	5,106,187	5,832,000	None. Debtor increased from R6 276 408 to R 11 382 594.	Yes	None
RBIG	National		6,937,486	6,937,486	15,000,000	No payment received. Debtor outstanding is R6 937 485.	Yes	None
NDPG	National	25,000,000	25,000,000	-	25,000,000	None	Yes	None
Total		243,541,136	109,276,128	12,043,672	254,687,000			

National and Provincial grants are spent in accordance with business plans approved by the various Government Departments.
The EPWP grant is a job creating grant to alleviate poverty and unemployment approved by National Government.

APPENDIX G (UNAUDITED)
SOL PLAATJE LOCAL MUNICIPALITY: DISCLOSURES OF DEVIATIONS FROM PROCUREMENT POLICY
FOR THE YEAR ENDED 30 JUNE 2017

DocNo.	Service Provider	Service Rendered / Product Purchased	Financial Implications	Line Manager	Motivation
1/2016/17	C- Pac & Pumps and Valves	Repair and upgrading of Langleg Pump station, Riverton Resort Pump station, Riverton Villas Pump station	448,834	S Mkhize	An Emergency
2/2016/17	C- Pac & Pumps and Valves	Installation of high security fencing and provision of security services during construction period to protect and secure sites during construction	3,095,555	S Mkhize	Exceptional cases
3/2016/17	Medi-clinic	Payment to Medi clinic for service rendered in terms of injury on duty to Mr OT Mokale	145,123	WL Wiese	Exceptional cases
4/2016/17	Lesae Trading	Refurbish and upgrade RDP houses allocated to beneficiaries as part of Sol Plaatje 67 Minutes of doing good for Mandela	194,370	W Mabilo	Exceptional cases
5/2016/17	Astra Travel	Accommodation and transport for SAMSRA National Games	485,274	OK Mojanaga	Exceptional cases
6/2016/17	Lethabile Coaches	Transportation of Councillors	60,000	S Isaacs	Exceptional cases
7/2016/17	Hamba Nathi	Accommodation & Transport for Councillors/councillor Induction Programme	329,590	S Isaacs	Exceptional cases
8/2016/17	Astra Travel	Accommodation for Councillors/councillor Induction Programme	104,690	S Isaacs	Exceptional cases
9/2016/17	J& B Communications	Purchase of standard management radios (with accessories x2)	250,606	NI Sinombe	Sole Provider
10/2016/17	Macronym 37	Procurement of Gift/Memorabilia bags for newly appointed Councillors	53,921	N Poolo	Exceptional cases
11/2016/17	Metsi –Chem International	Repair and upgrading of chlorination system in Riverton WTW, Homevale WWTW and Ritchie	427,985	S Mkhize	Sole Provider
12/2016/17	Rand Water Analytical Services	Full analysis for domestic supply (SANS 0241)	70,110	S Mkhize	Sole Provider
13/2016/17	Mettler Toledo Laboratory Equipment	Supply and delivery of laboratory equipment	953,741	S Mkhize	Sole Provider
14/2016/17	Marley Pipe	Manufacture and supply 200 meters sn8 weholite and socketed	510,209	HF Harding	An Emergency
15/2016/17	Astra Travel	Transport and Accommodation for Choir Members travelling to Cape Town	168,995	OK Mojanaga	Exceptional cases
16/2016/17	AAD Drivetrain Systems Pty Ltd	Repair and fit Transmission	178,677	T Dreyer	Sole Provider
17/2016/17	Astra Travel	Accommodation for Councillor for SALGA National conference	32,775	G Mosimane	Only Supplier to respond
18/2016/17	HV Test PTY LTD	Urgent purchase of two pressure tester and repair and calibrate old pressure tester	280,154	NI Sinombi	Sole Provider
19/2016/17	C-Pac Pumps and Valves	(Additional work carries out at Roodepan Pump station as per quote: JV3260 29-08-2016)	726,772	S Mkhize	An Emergency
20/2016/17	Lexis Nexis	Road traffic/Transport subscription Sep 2016/17 Delivery & handling	33,540	CFM Langford	Sole Provider
21/2016/17	AAD Drivetrain Systems Pty Ltd	Repair & rebuild Transmission as per quote (Isuzu FVZ 1400)	115,742	T Dreyer	Sole Provider
22/2016/17	Bentley Systems International Limited	Micro station CAD program 16/06/2016-15/06/2017 9inv no: 47791139)	44,219	M Myburgh	Sole Provider
23/2016/17	C-Pac Pumps and Valves	Supply and install as per quote (emergency repair work done at gogga pump station)	40,480	HF Harding	An Emergency
23/2016/17	C-Pac Pumps and Valves	Supply and install as per quote (emergency repair work done at gogga pump station)	40,480	HF Harding	An Emergency
24/2016/17	Astra Travel	Car hire for Executive Mayor	32,480	GT Mosimane	Exceptional cases
25/2016/17	Babcock Equipment	Repair oil leak on drive train- replace bearings & seals on Tandermis of Motor grader (VolvoG940, Motor grader)- Fleet no: R131 (CGS175NC)	192,058	AC Samson	Sole Provider
26/2016/17	Nosa PTY (LTD)	Preliminary incident investigation course	55,600	R Coertze	Sole Provider
27/2016/17	Super Armature Winding	Repairs to HLP 8 motor at Riverton water treatment plant (A.P.Q)	156,868	CB Marsh	Exceptional cases
28/2016/17	Astra travel	Accommodation and Transport for Sol Plaatje Employees in Rustenburg for the SAMSRA Regional, Provincial and National games	240,573	OK Mojanaga	Exceptional cases
29/2016/17	Bell Equipment	Supply & fit new engine to Bomag BC572RB Landfill machine as per attached estimate (3000050784), dated 01/02/2017. Serial number is BRC71002	580,866	AC Samson	Sole Provider
30/2016/17	First Technology	Supply, Delivery and installation of Enterprise storage for Solar Migration	362,407	V Monyobo	Exceptional cases
31/2016/17	Tagtron Solutions	repair of the tattle tape system at the Galeshewe Library	51,455	FH Van Dyk	Sole Provider
32/2016/17	South African Post Office	Purchase of Prepaid Envelopes (Pro ENV5 S/W)	36,860	CFM Langford	Sole Provider
33/2016/17	G4S	Protection and visible security services for various Sol Plaatje Municipality satellite offices housing cashiers and cash facilities (Revenue Management)	261,924	B Booth /Adv. A Kloppe	An Emergency
34/2016/17	Huber Technology (Pty)Ltd	Repair & Service Huber Rotomat fine screen	91,515	M Arthur	Sole Provider
35/2016/17	Aerzen Airgas Compressors	Repairs on effluent at Homevale Waste Water Treatment plant	310,668	M Arthur	An Emergency
36/2016/17	Bearing Man (Pty)Ltd	Repairs on High lift pump 10	97,375	H Harding	An Emergency
37/2016/17	SAW Africa	Repairs on 1000kw Motor of High lift pump 8	72,145	H Harding	An Emergency
38/2016/17	Tshiya Infrastructure Development	Clearing of Erf 5025 Phase 1-colville for relocation of Santa Centre community	1,274,520	TL Raseobi	Exceptional cases
39/2016/17	Cancelled				
40/2016/17	Aganang Consulting Eng & Jonroy Design Architects	Professional services for the Sol Plaatje Municipality Inspectorate per month	116,736	N Modiba	Exceptional cases
41/2016/17	Magnis Trucks Bloemfontein	Repairs to UD330 sewage tanker, replace snifting valve, moisture separator, vacuum & control valves and service broom exhauster	192,569	AC Samson	Sole Provider
42/2016/17	Travel Dot Com	Accommodation for 12 chairpersons of the portfolio committee in Upington	61,659	GT Mosimane	Exceptional cases
43/2016/17	Johannesburg Mining Supplies	Service and repairs of jaws of life	82,893	MW Pretorius	An Emergency
44/2016/17	Huber Technology	Supply and fit contactors, aux block, sensors, switches, basket bars, rakes and bottom flight	154,766	M Arthur	Sole Provider
45/2016/17	Ronre Electrical Enterprise	Supply, Delivery and commissioning of injection Equipment at hall street substation	2,359,004	N Sinombe	Sole Provider
46/2016/17	Zulko Tours & Travel	The Mayor and some Councillors attended the SA National Aids Conference in Durban, numerous requests were made to suppliers and only one supplier responded	70,910	GT Mosimane	Exceptional cases
47/2016/17	Zulko Tours & Travel	The Mayor and some Councillors attended the SA National Aids Conference in Durban, numerous requests were made to suppliers and only one supplier responded	32,435	GT Mosimane	Exceptional cases
48/2016/17	BJB Toilet Hire & Septic Tanks	Provision of temporary sanitation (chemical portable toilet) for various informal settlement	53,940	M Selesho	Exceptional cases